



**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2003



**Auditor of State
Betty Montgomery**

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying general-purpose financial statements of the Richmond Heights Local School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Richmond Heights Local School District, Cuyahoga County, Ohio, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District adjusted beginning fund balances for the special revenue and capital projects fund types.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2003 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Betty Montgomery
Auditor of State

December 12, 2003

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Richmond Heights Local School District

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2003

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
<i>Assets and Other Debits</i>			
Assets			
Equity in Pooled Cash and Cash Equivalents	\$930,394	\$199,824	\$30,025
Receivables:			
Taxes	8,626,723	0	139,889
Accounts	2,383	246	0
Interfund	122,259	0	0
Intergovernmental	0	118,299	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	66,550	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0
Other Debits			
Amount to be Provided from General Government Resources	0	0	0
<i>Total Assets and Other Debits</i>	<u><u>\$9,748,309</u></u>	<u><u>\$318,369</u></u>	<u><u>\$169,914</u></u>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$151,479	\$9,920	\$0	\$0	\$1,321,642
0	0	0	0	8,766,612
0	0	0	0	2,629
0	0	0	0	122,259
0	0	0	0	118,299
0	0	0	0	66,550
3,126	0	0	0	3,126
782	0	0	0	782
12,606	0	7,387,396	0	7,400,002
0	0	0	868,827	868,827
<u>\$167,993</u>	<u>\$9,920</u>	<u>\$7,387,396</u>	<u>\$868,827</u>	<u>\$18,670,728</u>

(continued)

Richmond Heights Local School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Liabilities, Fund Equity and Other Credits			
Liabilities			
Accounts Payable	\$36,105	\$6,257	\$0
Contracts Payable	0	0	20,220
Accrued Wages and Benefits	613,172	0	0
Compensated Absences Payable	14,525	0	0
Intergovernmental Payable	189,912	1,138	0
Interfund Payable	0	122,259	0
Deferred Revenue	7,967,581	117,874	127,955
Due to Students	0	0	0
Accrued Interest Payable	0	0	173
Energy Conservation Notes Payable	0	0	100,000
Capital Lease Payable	0	0	0
Early Retirement Incentive Payable	0	0	0
	<u>8,821,295</u>	<u>247,528</u>	<u>248,348</u>
<i>Total Liabilities</i>			
Fund Equity and Other Credits			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved, Undesignated	0	0	0
Fund Balance (Deficit):			
Reserved for Encumbrances	131,695	80,328	2,091
Reserved for Property Taxes	625,589	0	10,756
Reserved for Textbooks and Instructional Materials	26,298	0	0
Reserved for Budget Stabilization	40,252	0	0
Unreserved, Undesignated	103,180	(9,487)	(91,281)
	<u>927,014</u>	<u>70,841</u>	<u>(78,434)</u>
<i>Total Fund Equity, (Deficit) and Other Credits</i>			
	<u>927,014</u>	<u>70,841</u>	<u>(78,434)</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>			
	<u>\$9,748,309</u>	<u>\$318,369</u>	<u>\$169,914</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$38,874	\$0	\$0	\$0	\$81,236
0	0	0	0	20,220
5,135	0	0	0	618,307
4,285	0	0	430,345	449,155
14,048	0	0	88,759	293,857
0	0	0	0	122,259
0	0	0	0	8,213,410
0	9,920	0	0	9,920
0	0	0	0	173
0	0	0	0	100,000
0	0	0	300,103	300,103
0	0	0	49,620	49,620
<u>62,342</u>	<u>9,920</u>	<u>0</u>	<u>868,827</u>	<u>10,258,260</u>
0	0	7,387,396	0	7,387,396
12,159	0	0	0	12,159
93,492	0	0	0	93,492
0	0	0	0	214,114
0	0	0	0	636,345
0	0	0	0	26,298
0	0	0	0	40,252
0	0	0	0	2,412
<u>105,651</u>	<u>0</u>	<u>7,387,396</u>	<u>0</u>	<u>8,412,468</u>
<u>\$167,993</u>	<u>\$9,920</u>	<u>\$7,387,396</u>	<u>\$868,827</u>	<u>\$18,670,728</u>

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Richmond Heights Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2003*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues				
Property and Other Taxes	\$6,132,630	\$0	\$106,832	\$6,239,462
Intergovernmental	1,907,265	170,566	27,919	2,105,750
Interest	34,690	50	0	34,740
Tuition	292,050	190	0	292,240
Rent	1,536	0	0	1,536
Extracurricular Activities	115,689	69,190	0	184,879
Gifts and Donations	846	4,295	0	5,141
Miscellaneous	13,063	872	0	13,935
<i>Total Revenues</i>	<u>8,497,769</u>	<u>245,163</u>	<u>134,751</u>	<u>8,877,683</u>
Expenditures				
Current:				
Instruction:				
Regular	4,654,541	89,610	15,066	4,759,217
Special	982,171	60,941	0	1,043,112
Vocational	176,696	0	0	176,696
Support Services:				
Pupils	665,637	6,871	0	672,508
Instructional Staff	191,094	14,021	0	205,115
Board of Education	99,533	0	0	99,533
Administration	715,186	6,607	0	721,793
Fiscal	351,387	0	0	351,387
Operation and Maintenance of Plant	971,453	0	0	971,453
Pupil Transportation	752,223	0	0	752,223
Central	104,335	18,167	0	122,502
Non-Instructional Services	1,013	0	0	1,013
Extracurricular Activities	244,506	115,742	0	360,248
Capital Outlay	0	0	167,790	167,790
Debt Service:				
Principal Retirement	34,354	0	0	34,354
Interest and Fiscal Charges	18,335	0	4,287	22,622
<i>Total Expenditures</i>	<u>9,962,464</u>	<u>311,959</u>	<u>187,143</u>	<u>10,461,566</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,464,695)</u>	<u>(66,796)</u>	<u>(52,392)</u>	<u>(1,583,883)</u>
Other Financing Sources (Uses)				
Operating Transfers In	9,609	50,000	54,383	113,992
Operating Transfers Out	(104,383)	(9,609)	0	(113,992)
<i>Total Other Financing Sources (Uses)</i>	<u>(94,774)</u>	<u>40,391</u>	<u>54,383</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(1,559,469)</u>	<u>(26,405)</u>	<u>1,991</u>	<u>(1,583,883)</u>
<i>Fund Balances (Deficit) at Beginning of Year - Restated - See Note 3</i>	<u>2,486,483</u>	<u>97,246</u>	<u>(80,425)</u>	<u>2,503,304</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$927,014</u>	<u>\$70,841</u>	<u>(\$78,434)</u>	<u>\$919,421</u>

See accompanying notes to the general purpose financial statements

Richmond Heights Local School District
*Combined Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2003*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property and Other Taxes	\$7,458,894	\$7,458,894	\$0
Intergovernmental	1,907,265	1,907,265	0
Interest	34,690	34,690	0
Tuition	291,229	291,229	0
Rent	3,353	3,353	0
Extracurricular Activities	115,689	115,689	0
Gifts and Donations	846	846	0
Miscellaneous	13,142	13,142	0
<i>Total Revenues</i>	<u>9,825,108</u>	<u>9,825,108</u>	<u>0</u>
Expenditures			
Current:			
Instruction:			
Regular	4,592,807	4,577,067	15,740
Special	1,044,786	1,040,073	4,713
Vocational	179,070	179,070	0
Support Services:			
Pupils	686,776	684,328	2,448
Instructional Staff	215,541	208,620	6,921
Board of Education	106,924	106,858	66
Administration	750,615	750,023	592
Fiscal	366,265	366,264	1
Operation and Maintenance of Plant	1,052,066	1,052,065	1
Pupil Transportation	840,737	840,736	1
Central	106,236	106,236	0
Non-Instructional Services	1,013	1,013	0
Extracurricular Activities	266,555	262,789	3,766
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>10,209,391</u>	<u>10,175,142</u>	<u>34,249</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(384,283)</u>	<u>(350,034)</u>	<u>34,249</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Notes	0	0	0
Advances In	0	0	0
Advances Out	(122,259)	(122,259)	0
Operating Transfers In	9,609	9,609	0
Operating Transfers Out	(104,383)	(104,383)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(217,033)</u>	<u>(217,033)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(601,316)</u>	<u>(567,067)</u>	<u>34,249</u>
<i>Fund Balance Beginning of Year</i>	1,252,129	1,252,129	0
Prior Year Encumbrances Appropriated	<u>139,831</u>	<u>139,831</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$790,644</u>	<u>\$824,893</u>	<u>\$34,249</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
170,141	170,141	0	0	0	0
50	50	0	0	0	0
190	190	0	0	0	0
0	0	0	0	0	0
71,810	71,810	0	0	0	0
4,295	4,295	0	0	0	0
872	872	0	0	0	0
<u>247,358</u>	<u>247,358</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
130,614	117,925	12,689	0	0	0
97,823	97,823	0	0	0	0
0	0	0	0	0	0
15,720	7,414	8,306	0	0	0
58,534	50,923	7,611	0	0	0
0	0	0	0	0	0
8,308	6,607	1,701	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
41,113	33,486	7,627	0	0	0
0	0	0	0	0	0
157,710	126,932	30,778	0	0	0
0	0	0	0	0	0
0	0	0	150,000	150,000	0
0	0	0	4,383	4,383	0
<u>509,822</u>	<u>441,110</u>	<u>68,712</u>	<u>154,383</u>	<u>154,383</u>	<u>0</u>
<u>(262,464)</u>	<u>(193,752)</u>	<u>68,712</u>	<u>(154,383)</u>	<u>(154,383)</u>	<u>0</u>
0	0	0	100,008	100,008	0
122,259	122,259	0	0	0	0
0	0	0	0	0	0
50,000	50,000	0	54,383	54,383	0
(10,609)	(9,609)	1,000	0	0	0
<u>161,650</u>	<u>162,650</u>	<u>1,000</u>	<u>154,391</u>	<u>154,391</u>	<u>0</u>
(100,814)	(31,102)	69,712	8	8	0
115,577	115,577	0	0	0	0
29,652	29,652	0	0	0	0
<u>\$44,415</u>	<u>\$114,127</u>	<u>\$69,712</u>	<u>\$8</u>	<u>\$8</u>	<u>\$0</u>

(continued)

Richmond Heights Local School District
*Combined Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2003*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property and Other Taxes	\$132,954	\$132,954	\$0
Intergovernmental	27,911	27,911	0
Interest	0	0	0
Tuition	0	0	0
Rent	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>160,865</u>	<u>160,865</u>	<u>0</u>
Expenditures			
Current:			
Instruction:			
Regular	15,066	15,066	0
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	168,848	149,661	19,187
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>183,914</u>	<u>164,727</u>	<u>19,187</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(23,049)</u>	<u>(3,862)</u>	<u>19,187</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Notes	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(23,049)</u>	<u>(3,862)</u>	<u>19,187</u>
<i>Fund Balance Beginning of Year</i>	10,510	10,510	0
Prior Year Encumbrances Appropriated	<u>21,278</u>	<u>21,278</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$8,739</u></u>	<u><u>\$27,926</u></u>	<u><u>\$19,187</u></u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$7,591,848	\$7,591,848	\$0
2,105,317	2,105,317	0
34,740	34,740	0
291,419	291,419	0
3,353	3,353	0
187,499	187,499	0
5,141	5,141	0
14,014	14,014	0
<u>10,233,331</u>	<u>10,233,331</u>	<u>0</u>
4,738,487	4,710,058	28,429
1,142,609	1,137,896	4,713
179,070	179,070	0
702,496	691,742	10,754
274,075	259,543	14,532
106,924	106,858	66
758,923	756,630	2,293
366,265	366,264	1
1,052,066	1,052,065	1
840,737	840,736	1
147,349	139,722	7,627
1,013	1,013	0
424,265	389,721	34,544
168,848	149,661	19,187
150,000	150,000	0
4,383	4,383	0
<u>11,057,510</u>	<u>10,935,362</u>	<u>122,148</u>
<u>(824,179)</u>	<u>(702,031)</u>	<u>122,148</u>
100,008	100,008	0
122,259	122,259	0
(122,259)	(122,259)	0
113,992	113,992	0
(114,992)	(113,992)	1,000
<u>99,008</u>	<u>100,008</u>	<u>1,000</u>
(725,171)	(602,023)	123,148
1,378,216	1,378,216	0
190,761	190,761	0
<u>\$843,806</u>	<u>\$966,954</u>	<u>\$123,148</u>

Richmond Height Local School District
*Combined Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003*

	<u>Enterprise</u>
Operating Revenues	
Tuition	\$166,123
Sales	206,798
	<u>372,921</u>
<i>Total Operating Revenues</i>	
Operating Expenses	
Salaries and Wages	111,690
Fringe Benefits	32,162
Purchased Services	157,519
Materials and Supplies	81,021
Cost of Sales	78,514
Depreciation	800
Other	979
	<u>462,685</u>
<i>Total Operating Expenses</i>	
<i>Operating Loss</i>	<u>(89,764)</u>
Non-Operating Revenues	
Federal Donated Commodities	13,284
Operating Grants	54,852
	<u>68,136</u>
<i>Total Non-Operating Revenues</i>	
<i>Net Loss</i>	(21,628)
<i>Retained Earnings Beginning of Year</i>	<u>115,120</u>
<i>Retained Earnings End of Year</i>	93,492
<i>Contributed Capital Beginning and End of Year</i>	<u>12,159</u>
<i>Fund Equity at End of Year</i>	<u>\$105,651</u>

See accompanying notes to the general purpose financial statements

Richmond Heights Local School District
*Combined Statement of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Tuition	\$166,123	\$166,123	\$0
Sales	206,798	206,798	0
Operating Grants	61,491	61,491	0
<i>Total Revenues</i>	434,412	434,412	0
Expenses			
Salaries and Wages	121,800	115,006	6,794
Fringe Benefits	79,300	72,737	6,563
Purchased Services	166,708	160,822	5,886
Materials and Supplies	152,796	140,292	12,504
Other	1,050	979	71
<i>Total Expenses</i>	521,654	489,836	31,818
<i>Excess of Revenues Under Expenses</i>	(87,242)	(55,424)	31,818
Operating Transfers Out	(5,000)	0	5,000
<i>Excess of Revenue, Operating Transfers, and Advances Under Expenses</i>	(92,242)	(55,424)	36,818
<i>Fund Equity Beginning of Year</i>	147,305	147,305	0
Prior Year Encumbrances Appropriated	16,487	16,487	0
<i>Fund Equity End of Year</i>	\$71,550	\$108,368	\$36,818

See accompanying notes to the general purpose financial statements

Richmond Heights Local School District

Combined Statement of Cash Flows

Proprietary Fund Type

For the Fiscal Year Ended June 30, 2003

	<u>Enterprise</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$206,798
Cash Received from Tuition Payments	166,123
Cash Payments to Suppliers for Goods and Services	(282,123)
Cash Payments to Employees for Services and Benefits	(163,194)
Cash Payments for Other Operating Uses	<u>(1,408)</u>
<i>Net Cash Used for Operating Activities</i>	(73,804)
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	<u>61,491</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(12,313)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>163,792</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$151,479</u></u>
	(continued)

Richmond Heights Local School District

Combined Statement of Cash Flows

Proprietary Fund Type (continued)

For the Fiscal Year Ended June 30, 2003

	<u>Enterprise</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	<u>(\$89,764)</u>
<i>Adjustments:</i>	
Depreciation	800
Donated Commodities Received During Year	13,284
(Increase) Decrease in Assets:	
Materials and Supplies Inventory	(854)
Increase (Decrease) in Liabilities:	
Accounts Payable	22,072
Accrued Wages and Benefits	(3,901)
Compensated Absences Payable	585
Intergovernmental Payable	<u>(16,026)</u>
<i>Total Adjustments</i>	<u>15,960</u>
<i>Net Cash Used by Operating Activities</i>	<u><u>(\$73,804)</u></u>

Noncash Capital Financing Activities

Federal donated commodities in the amount of \$13,284 were recorded as revenue in the food service enterprise fund.

See accompanying notes to the general purpose financial statements

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 1 – Description of the School District and Reporting Entity

Richmond Heights Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District is located in a Richmond Heights, Ohio, Cuyahoga County and serves an area of approximately 4.75 square miles. It is staffed by 67 certificated teaching personnel, 48 non-certificated support staff personnel and 8 administrative employees who provide services to 1,000 students and other community members. The School District currently operates a primary school, a middle school and a high school.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Richmond Heights Local School District, this includes general operations, food service, and student related activities 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 has no component units.

The following activities are included within the reporting entity

Non-public School - Within the School District boundaries, Richmond Heights Christian School operates. The State provides funding for this non-public school. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District participates in three organizations, two of which are defined as jointly governed organizations, and one as an insurance purchasing pool. These organizations are the Lakeshore Northeast Ohio Computer Association, the Ohio Schools Council Association and the Ohio School Boards Association Workers' Compensation Group Rating Program. The organizations are presented in Notes 17 and 18 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Richmond Heights Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Fiduciary Fund Type Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The School District has no trust funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue Recognition 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. 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 year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when 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

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified. All funds, other than agency funds are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Cuyahoga County Budget Commission for rate determination.

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District's Treasurer. The amounts reported in the budgetary statements reflect the amounts in the certificate of estimated resources that were in effect at the time the final appropriations were passed by the Board of Education.

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates, or a certification stating no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any legal level of control.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board of Education may pass supplemental fund appropriations so long as the total appropriation by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

The School District's investments during fiscal year 2003 were limited to STAROhio (State Treasury Asset Reserve of Ohio). STAROhio is an investment pool managed by the State Treasurer's Office which allow governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2003. Interest was also earned from the investment of the proceeds of a lease.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$34,690, which includes \$9,741 assigned from other School District funds.

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
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For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. 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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of ten to twenty years.

G. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after ten years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, compensated absences are expensed and reported as a fund liability.

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

H. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, amounts paid more than sixty days after fiscal year end are considered not to have been paid with current available financial resources. Capital leases are recognized as a liability of the general long-term obligations account group until due.

Under Ohio law, a debt retirement fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been allocated to the appropriate fund. Debt service resources used to pay both principal and interest have also been allocated accordingly.

I. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

J. Fund Balance Reserves

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

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

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets in the general fund are amounts required by State statute to be set-aside by the School District for the purchase of textbooks and to create a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

L. Contributed Capital

Contributed capital in the proprietary funds represents resources provided from other funds prior to 2003 that are not subject to repayment. For fiscal year 2003, the School District had no change in contributed capital.

M. Estimates

The preparation of the 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 the accompanying notes. Actual results may differ from those estimates.

N. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 – Restatement of Fund Balance

At June 30, 2002 fund balance was restated due to a fund reclassification and an understatement of notes payable. The adjustments had the following effect on fund balance.

	Special Revenue	Capital Projects
Fund Balance, June 30, 2002	\$95,646	\$21,175
Fund Reclassification	1,600	(1,600)
Notes Payable	0	(100,000)
Adjusted Fund Balance, June 30, 2002	\$97,246	(\$80,425)

The fund reclassification increased excess in the special revenue funds for the year ended June 30, 2002, \$1,600, from (\$18,757) to (\$17,157). The fund reclassification and understatement of notes payable decreased excess in the capital projects funds for the year ended June 30, 2002, \$101,600, from \$19,168 to (\$82,432).

The general long-term obligations account group at June 30, 2002 was restated by \$100,000 from \$962,678 to \$862,678 due to an overstatement of notes payable.

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 4 – Accountability and Compliance

A. Fund Deficits

The following funds had a deficit fund balance/retained earnings at June 30, 2003:

	Deficit
Special Revenue Funds:	
Title I	\$59,817
Improving Planning Grant	1,017
Capital Projects Fund:	
Permanent Improvement	80,557
Enterprise Fund:	
Food Service	11,531

These deficits in the special revenue and enterprise funds resulted from the recognition of accrued liabilities. The general fund is responsible to cover deficit fund balances by means of a transfer. However, this is done when cash is needed rather than when accruals occur. The deficit in the permanent improvement capital projects fund is a result of the issuance of short-term energy conservation notes which are used to finance the remodeling of school buildings to conserve energy. The deficit will be eliminated once the liability has been repaid.

B. Legal Compliance

Contrary to Ohio Revised Code Section 5705.39, the following funds had final appropriations in excess of certified available resources:

	Estimated Revenue Plus Carryover Balances	Appropriations	Excess
Special Revenue Funds			
Auxiliary Services	\$85,790	\$86,697	\$907
EMIS	15,396	21,421	6,025
Title VI	11,890	12,375	485
Enterprise Fund:			
Latchkey	175,329	182,269	6,940

In order to avoid these budgetary violations in the future management will have the Board of Education approve an amended appropriation prior to the close of the fiscal year.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in

Richmond Heights Local School District
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Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual, Proprietary Fund Type are 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Proceeds from and principal payments on tax anticipation notes are on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund
GAAP Basis	(\$1,559,469)	(\$26,405)	\$0	\$1,991
Net Adjustment for Revenue Accruals	1,327,339	2,195	0	126,122
Proceeds of Notes	0	0	100,008	(100,008)
Advances In	0	122,259	0	0
Transfer for Debt Activity	0	0	54,383	(54,383)
Net Adjustment for Expenditures				
Accruals	(11,685)	(43,454)	0	(129,876)
Advances Out	(122,259)	0	0	0
Debt Service:				
Principal Retirement	0	0	(150,000)	150,000
Interest and Fiscal Charges	0	0	(4,383)	4,383
Adjustment for Encumbrances	(200,993)	(85,697)	0	(2,091)
Budget Basis	<u>(\$567,067)</u>	<u>(\$31,102)</u>	<u>\$8</u>	<u>(\$3,862)</u>

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
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Net Loss/Excess of Revenues and
 Operating Transfers Under Expenses
 Proprietary Fund Type

	Enterprise Funds
GAAP Basis	(\$21,628)
Net Adjustment for Revenue Accruals	(6,645)
Net Adjustment for Expense Accruals	(9,389)
Depreciation Expense	800
Adjustment for Encumbrances	(18,562)
Budget Basis	(\$55,424)

Note 6 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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;

Richmond Heights Local School District
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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

Deposits: At year-end, the carrying amount of the School District's deposits was \$501,348 and the bank balance was \$757,779. \$100,000 of the bank balance was covered by federal depository insurance. \$657,779 was uninsured and uncollateralized. Although securities serving as collateral were held by the pledging institution in the pledging institutions name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Richmond Heights Local School District
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Investments: GASB Statement No. 3 requires investments be categorized to give an indication of the level of custodial credit risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Fair Value</u>
STAROhio	<u><u>\$886,844</u></u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, a reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$1,388,192	\$0
Investments which are part of a Cash Management Pool:		
STAROhio	<u>(886,844)</u>	<u>886,844</u>
GASB Statement No. 3	<u><u>\$501,348</u></u>	<u><u>\$886,844</u></u>

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and a delayed personal property settlement made in July. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$625,589 in the general fund and \$10,756 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$1,636,626 in the general fund and \$28,245 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$155,122,580	69.46 %	\$156,419,040	71.32 %
Public Utility	50,150,500	22.54	45,676,610	20.83
Tangible Personal Property	3,657,980	2.00	3,650,290	1.66
	14,318,839	6.00	13,587,269	6.19
	<u>\$223,249,899</u>	<u>100.00 %</u>	<u>\$219,333,209</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$73.10		\$73.10	

Note 8 - Receivables

Receivables at June 30, 2003, consisted of taxes, accounts (rent and tuition) and intergovernmental grants. All receivables are considered collectible in full.

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Special Revenue Funds:	
Title I	\$69,943
Title VI	8,170
Drug Free Schools	3,945
Title VIR	33,903
Miscellaneous Federal Grant	2,338
Total All Funds	\$118,299

Note 9 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$34,083
Less: Accumulated Depreciation	(21,477)
Net Fixed Assets	\$12,606

A summary of the changes in general fixed assets during fiscal year 2003 follows:

	Balance June 30, 2002	Additions	Deletions	Balance June 30, 2003
Land and Improvements	\$311,214	\$0	\$0	\$311,214
Buildings	3,715,172	0	0	3,715,172
Furniture and Equipment	1,393,332	50,828	0	1,444,160
Vehicles	1,137,499	107,702	0	1,245,201
Textbooks and Library Books	671,649	0	0	671,649
Total	\$7,228,866	\$158,530	\$0	\$7,387,396

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For fiscal year 2003, the School District contracted with Indiana Insurance for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket coverage. Indiana Insurance covers the boiler and machinery with a \$1,000 deductible and \$30,000,000 limit.

Professional liability is protected by Great American Insurance Company with a \$1,000,000 single occurrence limit and \$5,000,000 aggregate and \$1,000 deductible. Vehicles are covered by Coregis Insurance and hold a \$250 deductible for comprehensive and a \$250 deductible for collision. Automobile liability has a \$2,000,000 combined single limit of liability.

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Settle claims have not exceeded this commercial coverage in the last three years. There has not been a significant reduction in insurance coverage from the prior year.

For the fiscal year 2003, the School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$123,571, \$75,124 and \$58,864, respectively; 52.86 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002 and 2001 were \$543,922, \$336,747 and \$386,000, respectively; 86.34 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$575 made by the School District and \$909 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement/State Teachers Retirement System. As of June 30, 2003, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 12 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$188,595 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$151,441.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn zero 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. Teachers earn no vacation time. Teachers, administrators and classified employees earn sick leave at a rate of one and one-fourth days per month. There is no limitation placed upon the number

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

of sick leave that can be accumulated. Upon retirement, payment is made to employees ranging from 6.25 percent to 25 percent of up to a maximum of 220 accumulated sick days.

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all employees through American United Insurance Company, in the amount of \$50,000 for all certified, classified and union exempt employees, and \$200,000 for the superintendent, treasurer, and principals.

The School District provides employee medical, surgical, prescription drug, dental and vision coverage through Medical Mutual of Ohio. These plans provide medical/surgical plans with deductibles ranging from zero to \$200 single and zero to \$400 family. The dental benefits are subject to a \$25 single and \$50 family deductibles, co-pays and maximum benefits as are outlined in the plan. The vision plan has no deductible with 100 percent of exams covered, up to \$85, a portion of a pair of glasses per year and a portion of the cost of contact lenses. The School District pays various amounts for coverage based on the hours worked by each employee, with certified staff members paying \$25 a month and classified staff paying \$2 a month for single coverage and \$4 a month for family coverage.

C. Special Termination Benefit Payable – ERIP PLAN

The Richmond Heights Board of Education approved an Early Retirement Incentive program for classified and certified employees. Participation was available between March 15, 2003 through March 30, 2003 for 5 percent of the employees of the School District, who were employed by the Board and had attained the age of fifty prior to the date the ERIP expires. Two years of service credit or service credit equal to 20 percent of total service will be purchased for those employees who elect to retire under this plan. The retirement incentive is paid in the general fund in two installments by June of each year following the effective retirement date.

Note 14 – Note Debt

During fiscal year 2003, the School District issued a \$100,000 energy conservation note for the purpose of rolling over energy conservation notes first issued by the School District in 1993. The note was issued at a premium of \$8. The full faith and credit of the School District backs this note. The note liability is reflected in the permanent improvement capital projects fund.

The School District’s note activity, including amounts outstanding and interest rates follow:

	Balance 6/30/02	Additions	Deletions	Balance 6/30/03
Energy Conservation - 2.34%	\$150,000	\$100,000	\$150,000	\$100,000

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 15 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2003, were as follows:

	Balance 6/30/02	Additions	Deletions	Balance 6/30/03
Compensated Absences	\$418,147	\$12,198	\$0	\$430,345
Capital Leases	334,457	0	34,354	300,103
Pension Obligation	68,139	88,759	68,139	88,759
Early Retirement Incentive	41,935	110,607	102,922	49,620
Total General Long-Term Obligations	<u>\$862,678</u>	<u>\$211,564</u>	<u>\$205,415</u>	<u>\$868,827</u>

Compensated absences, pension obligations and the early retirement incentives will be paid by the fund from which the employee is paid. Capital leases will be paid by the general fund. The School District's overall legal debt margin was \$19,639,989 with an unvoted debt margin of \$219,333 at June 30, 2003.

Notes 16 - Contingencies

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

The School District is party to legal proceedings. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

Note 17 - Jointly Governed Organizations

A. Lakeshore Northeast Ohio Computer Association

The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau owned and operated by sixteen school districts. The primary function of LNOCA is to provide data services to the sixteen school districts. Major areas of service provided by LNOCA include accounting, payroll, inventory, career guidance, student tracking, pupil scheduling, attendance and grade reporting. Each school is represented on the LNOCA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman, and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of LNOCA. Each school district supports

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

LNOCA based upon a per pupil charge dependent upon the software package used. Richmond Heights Local School District paid \$15,785 to LNOCA during fiscal year 2003. Financial information can be obtained by contacting LNOCA, 5700 West Canal Road, Valley View, Ohio 44125.

B. Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among ninety-one school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council also sponsors an insurance purchasing pool in which the School District participates. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2003, the School District paid \$750 to the Council. Financial information can be obtained by contacting Kathleen T. Neal, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998 and the natural gas program which was implemented during fiscal year 2001.

The electric purchase program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non profit corporation with a self appointing board, issued \$119,140,000 in debt to repurchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement, they are required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

The natural gas program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each November these estimates are compared to their actual usage for the year and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 18 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Program - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member board of directors consisting of the President, President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 19 - Set-Asides Requirements

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2003, only the unspent portion of certain workers' compensation refunds continues to be required to be set aside.

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

	<u>Balance</u> <u>Textbooks</u>	<u>Capital</u> <u>Improvement</u>	<u>Budget</u> <u>Reserve</u>
Set-aside Reserve Balance			
as of June 30, 2002	\$4,100	(\$152,851)	\$40,252
Current Year Set-aside Requirement	137,326	137,326	0
Offsets During the Fiscal Year	0	(145,506)	0
Qualifying Disbursements	<u>(115,128)</u>	<u>(147,570)</u>	<u>0</u>
Totals	<u>\$26,298</u>	<u>(\$308,601)</u>	<u>\$40,252</u>
Set-aside Balance Carried Forward			
To Future Fiscal Years	<u>\$26,298</u>	<u>\$0</u>	<u>\$40,252</u>
Set-aside Reserve Balance As			
of June 30, 2003	<u>\$26,298</u>	<u>\$0</u>	<u>\$40,252</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amounts below zero. This extra amount may not be used to reduce the set-aside requirements in future fiscal years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$66,550.

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 20 – State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 21 - Segment Information for Enterprise Funds

The School District maintains three enterprise funds to account for the operations of Food Service, Summer Camp and Latchkey. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2003

	Food Service	Summer Camp	Latchkey	Total Enterprise Funds
Operating Revenues	\$206,798	\$72,818	\$93,305	\$372,921
Depreciation	730	0	70	800
Operating Income (Loss)	(89,732)	11,324	(11,356)	(89,764)
Donated Commodities	13,284	0	0	13,284
Operating Grants	54,852	0	0	54,852
Net Income (Loss)	(21,596)	11,324	(11,356)	(21,628)
Net Working Capital	(12,433)	77,759	32,004	97,330
Total Assets	39,842	83,564	44,587	167,993
Long-Term Compensated				
Absences Payable	0	0	4,285	4,285
Total Equity	(102)	77,759	27,994	105,651
Encumbrances June 30, 2003	\$10,718	\$6,184	\$1,660	\$18,562

Note 22 – Capital Leases – Lessee Disclosure

The District entered into a capitalized lease for a bus service building. As part of the agreement, Fifth Third Banks, as lessor, provided \$400,000 for the construction. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Richmond Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

This lease has been capitalized in the general fixed assets account group in the amount of \$400,000 for building as of June 30, 2001. This liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2003 total \$34,354 in the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30	Totals
2004	\$48,298
2005	52,689
2006	52,689
2007	52,689
2008	52,689
2009-2010	105,050
Total minimum lease payments	364,104
Less: Amount Representing Interest	(64,001)
Present Value Minimum Lease Payments	\$300,103

Note 23 – Interfund Transactions

Interfund balances at June 30, 2003 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$122,259	\$0
Special Revenue Funds:		
Athletic and Music	0	908
Title I	0	71,337
Title VI	0	9,224
Drug Free Schools	0	4,550
Title VIR	0	33,902
Miscellaneous Federal Grant	0	2,338
Total	\$122,259	\$122,259

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of the Richmond Heights Local School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 12, 2003, wherein we noted the District adjusted the beginning fund balances for the special revenue and capital projects fund types. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 12, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 12, 2003



**Auditor of State
Betty Montgomery**

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RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 13, 2004**