



**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

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, 2000, 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 generally accepted auditing standards 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, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

Richmond Heights Local School District
Cuyahoga County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2000 on our consideration of the District'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.

Jim Petro
Auditor of State

December 20, 2000

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Richmond Heights Local School District
Cuyahoga County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2000

	Governmental Fund Types			Proprietary Fund Type
	General	Special Revenue	Capital Projects	Enterprise
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,165,074	\$166,273	\$406,708	\$170,902
Receivables:				
Taxes	7,348,540	0	127,909	0
Accounts Intergovernmental	771	795	0	4,039
Accrued Interest	1,150	3,062	0	0
Interfund	0	0	981	0
Interfund	25,000	0	0	0
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	209,777	0	0	0
Inventory Held for Resale	0	0	0	2,895
Materials and Supply Inventory	0	0	0	412
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	11,893
Other Debits:				
Amount to be Provided from General Governmental Resources	0	0	0	0
Total Assets and Other Debits	<u>8,750,312</u>	<u>170,130</u>	<u>535,598</u>	<u>190,141</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	38,444	3,405	68,540	11,553
Accrued Wages and Benefits	562,920	12,775	0	7,268
Compensated Absences Payable	16,896	0	0	4,435
Intergovernmental Payable	152,292	325	0	3,314
Interfund Payable	0	0	25,000	0
Deferred Revenue	6,634,202	0	114,539	272
Due to Students	0	0	0	0
Accrued Interest Payable	0	0	10,518	0
Energy Conservation Notes Payable	0	0	240,000	0
Capital Lease Payable	0	0	0	0
Early Retirement Incentive Payable	0	0	0	0
Total Liabilities	<u>7,404,754</u>	<u>16,505</u>	<u>458,597</u>	<u>26,842</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	6,641
Retained Earnings:				
Unreserved	0	0	0	156,658
Fund Balances (Deficit):				
Reserved for Encumbrances	95,951	2,601	252,403	0
Reserved for Property Taxes	485,367	0	6,929	0
Reserved for Textbooks and Instructional Materials	24,050	0	0	0
Reserved for Bus Purchase	18,924	0	0	0
Reserved for Budget Stabilization	166,803	0	0	0
Unreserved, Undesignated	554,463	151,024	(182,331)	0
Total Fund Equity, (Deficit) and Other Credits	<u>1,345,558</u>	<u>153,625</u>	<u>77,001</u>	<u>163,299</u>
Total Liabilities, Equity and Other Credits	<u>\$8,750,312</u>	<u>\$170,130</u>	<u>\$535,598</u>	<u>\$190,141</u>

See accompanying Notes to the General Purpose Financial Statements

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
\$6,833	\$0	\$0	\$1,915,790
0	0	0	7,476,449
0	0	0	5,605
0	0	0	4,212
0	0	0	981
0	0	0	25,000
0	0	0	209,777
0	0	0	2,895
0	0	0	412
0	6,572,888	0	6,584,781
0	0	1,074,793	1,074,793
<u>6,833</u>	<u>6,572,888</u>	<u>1,074,793</u>	<u>17,300,695</u>
0	0	0	121,942
0	0	0	582,963
0	0	439,216	460,547
0	0	67,802	223,733
0	0	0	25,000
0	0	0	6,749,013
6,833	0	0	6,833
0	0	0	10,518
0	0	0	240,000
0	0	400,000	400,000
0	0	167,775	167,775
<u>6,833</u>	<u>0</u>	<u>1,074,793</u>	<u>8,988,324</u>
0	6,572,888	0	6,572,888
0	0	0	6,641
0	0	0	156,658
0	0	0	350,955
0	0	0	492,296
0	0	0	24,050
0	0	0	18,924
0	0	0	166,803
0	0	0	523,156
<u>0</u>	<u>6,572,888</u>	<u>0</u>	<u>8,312,371</u>
<u>\$6,833</u>	<u>\$6,572,888</u>	<u>\$1,074,793</u>	<u>\$17,300,695</u>

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Richmond Heights Local School District
Cuyahoga County

Combined Statement of Revenues, Expenditures and Changes in Fund
Balances

All Governmental Fund Types
For the Fiscal Year Ended June 30, 2000

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Revenues:				
Property and Other Taxes	\$6,502,579	\$0	\$118,825	\$6,621,404
Intergovernmental	1,506,403	194,584	13,708	1,714,695
Interest	128,799	0	981	129,780
Tuition	243,064	0	0	243,064
Rent	12,763	0	0	12,763
Extracurricular Activities	39,466	86,487	0	125,953
Gifts and Donations	0	9,516	0	9,516
Miscellaneous	7,507	1,474	400,000	408,981
Total Revenues	<u>8,440,581</u>	<u>292,061</u>	<u>533,514</u>	<u>9,266,156</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,934,416	36,811	0	3,971,227
Special	532,029	76,399	0	608,428
Vocational	94,604	0	0	94,604
Support Services:				
Pupil Support	570,275	40,377	0	610,652
Instructional Staff	170,684	4,207	0	174,891
Board of Education	170,605	0	0	170,605
Administration	661,136	210	0	661,346
Fiscal	325,966	0	0	325,966
Operations and Maintenance	851,561	3,646	0	855,207
Pupil Transportation	925,085	0	0	925,085
Central	76,094	4,770	0	80,864
Non-Instructional Staff	396	0	0	396
Extracurricular Activities	203,571	110,044	0	313,615
Capital Outlay	0	0	232,982	232,982
Debt Service:				
Interest and Fiscal Charges	0	0	12,363	12,363
Total Expenditures	<u>8,516,422</u>	<u>276,464</u>	<u>245,345</u>	<u>9,038,231</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(75,841)</u>	<u>15,597</u>	<u>288,169</u>	<u>227,925</u>
Other Financing Sources (Uses):				
Operating Transfers In	8,581	60,019	51,666	120,266
Operating Transfers Out	(136,208)	(8,581)	0	(144,789)
<i>Total Other Financing Sources (Uses)</i>	<u>(127,627)</u>	<u>51,438</u>	<u>51,666</u>	<u>(24,523)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(203,468)</u>	<u>67,035</u>	<u>339,835</u>	<u>203,402</u>
Fund Balances (Deficit) at Beginning of Year	1,549,026	86,590	(262,834)	1,372,782
Fund Balances at End of Year	<u>\$1,345,558</u>	<u>\$153,625</u>	<u>\$77,001</u>	<u>\$1,576,184</u>

See accompanying Notes to the General Purpose Financial Statements.

Richmond Heights Local School District
Cuyahoga County
Combined Statement of Revenues, Expenditures, and Changes in
Fund Balances
Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Property and Other Taxes	\$6,872,595	\$6,993,496	\$120,901
Intergovernmental	1,516,642	1,505,253	(11,389)
Interest	120,370	128,799	8,429
Tuition	83,736	242,939	159,203
Rent	11,514	14,397	2,883
Extracurricular Activities	51,670	39,466	(12,204)
Gifts and Donations	0	0	0
Miscellaneous	5,338	8,841	3,503
Total Revenues	<u>8,661,865</u>	<u>8,933,191</u>	<u>271,326</u>
Expenditures:			
Current:			
Instruction:			
Regular	3,992,843	3,953,034	39,809
Special	540,753	540,210	543
Vocational	95,000	94,604	396
Support Services			
Pupil Support	626,920	600,489	26,431
Instructional Staff	195,379	176,179	19,200
Board of Education	174,462	160,238	14,224
Administration	687,543	670,967	16,576
Fiscal	345,360	328,780	16,580
Operations and Maintenance	937,613	917,353	20,260
Pupil Transportation	952,831	929,988	22,843
Central	82,504	75,998	6,506
Non-Instructional Staff	440	396	44
Extracurricular services	210,646	198,513	12,133
Capital Outlay	0	0	0
Debt Service:			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>8,842,294</u>	<u>8,646,749</u>	<u>195,545</u>
<i>Excess of Revenues Over (Under) Expenditures:</i>	<u>(180,429)</u>	<u>286,442</u>	<u>466,871</u>
Other Financing Sources (Uses):			
Operating Transfers In	0	5,902	5,902
Operating Transfers Out	(137,322)	(133,529)	3,793
Proceeds from Sale of Notes	0	0	0
Total Other Financing Sources (Uses)	<u>(137,322)</u>	<u>(127,627)</u>	<u>9,695</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financin</i>	<u>(317,751)</u>	<u>158,815</u>	<u>476,566</u>
Fund Balances at Beginning of Year	863,531	863,531	0
Prior Year Encumbrances Appropriated	<u>216,335</u>	<u>216,335</u>	<u>0</u>
Fund Balances at End of Year	<u>\$762,115</u>	<u>\$1,238,681</u>	<u>\$476,566</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
211,329	191,522	(19,807)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
106,400	85,952	(20,448)	0	0	0
9,600	9,516	(84)	0	0	0
450	1,474	1,024	0	0	0
<u>327,779</u>	<u>288,464</u>	<u>(39,315)</u>	<u>0</u>	<u>0</u>	<u>0</u>
			0	0	0
86,062	39,177	46,885	0	0	0
100,004	83,146	16,858	0	0	0
0	0	0	0	0	0
63,930	40,945	22,985	0	0	0
11,949	5,786	6,163	0	0	0
0	0	0	0	0	0
215	210	5	0	0	0
0	0	0	0	0	0
3,646	3,646	0	0	0	0
0	0	0	0	0	0
5,000	4,770	230	0	0	0
0	0	0	0	0	0
151,544	112,682	38,862	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	280,000	280,000	0
0	0	0	11,783	11,783	0
<u>422,350</u>	<u>290,362</u>	<u>131,988</u>	<u>291,783</u>	<u>291,783</u>	<u>0</u>
<u>(94,571)</u>	<u>(1,898)</u>	<u>92,673</u>	<u>(291,783)</u>	<u>(291,783)</u>	<u>0</u>
50,000	60,019	(10,019)	51,666	51,666	0
(8,583)	(8,581)	(2)	0	0	0
0	0	0	240,000	240,000	0
<u>41,417</u>	<u>51,438</u>	<u>(10,021)</u>	<u>291,666</u>	<u>291,666</u>	<u>0</u>
(53,154)	49,540	102,694	(117)	(117)	0
83,103	83,103	0	117	117	0
<u>27,625</u>	<u>27,625</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$57,574</u>	<u>\$160,268</u>	<u>\$102,694</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

(continued)

Richmond Heights Local School District
Cuyahoga County
Combined Statement of Revenues, Expenditures, and Changes in
Fund Balances
Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (Continued)

	Capital Project Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property and Other Taxes	\$125,726	\$125,580	(\$146)
Intergovernmental	14,700	13,708	(992)
Interest	0	0	0
Tuition	0	0	0
Rent	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	400,000	400,000	0
Total Revenues	<u>540,426</u>	<u>539,288</u>	<u>(1,138)</u>
Expenditures:			
Current:			
Instruction:			
Regular	7,750	7,750	0
Special	0	0	0
Vocational	0	0	0
Support Services			
Pupil Support	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operations and Maintenance	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Non-Instructional Staff	0	0	0
Extracurricular services	0	0	0
Capital Outlay	553,075	488,588	64,487
Debt Service:			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>560,825</u>	<u>496,338</u>	<u>64,487</u>
<i>Excess of Revenues Over (Under) Expenditures:</i>	<u>(20,399)</u>	<u>42,950</u>	<u>63,349</u>
Other Financing Sources (Uses);			
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Proceeds from Sale of Notes	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financin</i>	<u>(20,399)</u>	<u>42,950</u>	<u>63,349</u>
Fund Balances at Beginning of Year	30,141	30,141	0
Prior Year Encumbrances Appropriated	<u>12,675</u>	<u>12,675</u>	<u>0</u>
Fund Balances at End of Year	<u>\$22,417</u>	<u>\$85,766</u>	<u>\$63,349</u>

See accompanying Notes to the General Purpose Financial Statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$6,998,321	\$7,119,076	\$120,755
1,742,671	1,710,483	(32,188)
120,370	128,799	8,429
83,736	242,939	159,203
11,514	14,397	2,883
158,070	125,418	(32,652)
9,600	9,516	(84)
405,788	410,315	4,527
<u>9,530,070</u>	<u>9,760,943</u>	<u>230,873</u>
4,086,655	3,999,961	86,694
640,757	623,356	17,401
95,000	94,604	396
690,850	641,434	49,416
207,328	181,965	25,363
174,462	160,238	14,224
687,758	671,177	16,581
345,360	328,780	16,580
941,259	920,999	20,260
952,831	929,988	22,843
87,504	80,768	6,736
440	396	44
362,190	311,195	50,995
553,075	488,588	64,487
280,000	280,000	0
11,783	11,783	0
<u>10,117,252</u>	<u>9,725,232</u>	<u>392,020</u>
<u>(587,182)</u>	<u>35,711</u>	<u>622,893</u>
101,666	117,587	15,921
(145,905)	(142,110)	(3,795)
240,000	240,000	0
<u>195,761</u>	<u>215,477</u>	<u>19,716</u>
(391,421)	251,188	642,609
976,892	976,892	0
256,635	256,635	0
<u>\$842,106</u>	<u>\$1,484,715</u>	<u>\$642,609</u>

Richmond Heights Local School District
Cuyahoga County
 Combined Statement of Revenues, Expenses and
 Changes
 in Retained Earnings
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2000

	Enterprise
Operating Revenues:	
Tuition	\$177,350
Sales	182,712
Total Operating Revenues	360,062
Operating Expenses:	
Salaries	109,942
Fringe Benefits	42,983
Purchase Services	132,836
Materials and Supplies	21,685
Cost of Sales	125,780
Depreciation	4,286
Other	780
Total Operating Expenses	438,292
<i>Operating Loss</i>	(78,230)
Non-Operating Revenues:	
Federal Donated Commodities	4,987
Operating Grants	37,513
<i>Total Non-Operating Revenues</i>	42,500
<i>Net Loss Before Transfers</i>	(35,730)
Operating Transfers In	24,523
Net Loss	(11,207)
Retained Earnings at Beginning of Year	167,865
Retained Earnings at End of Year	156,658
Contributed Capital at Beginning of Year	0
Contributed from Other Funds	6,641
Contributed Capital at End of Year	6,641
Total Fund Equity at Year End	\$163,299

See accompanying Notes to the General Purpose Financial Statements.

Richmond Heights Local School District
Cuyahoga County
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2000

	<u>Enterprise</u>
Increase (Decrease) in Cash and and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received From Customers	\$182,712
Cash Received from Tuition Payments	173,564
Cash Payments to Suppliers for Goods and Services	(293,865)
Cash Payments for Employee Services and Benefits	(149,669)
Cash Payments for Other Operating Expenses	<u>(780)</u>
Net Cash Used For Operating Activities	<u>(88,038)</u>
 Cash Flow from Noncapital Financing Activities	
Operating Grants	41,718
Operating Transfers In	<u>24,523</u>
Net Cash Provided by Noncapital Financing Activities	<u>66,241</u>
Net Increase in Cash and Cash Equivalents	(21,797)
Cash and Cash Equivalents at Beginning of Year	192,699
Cash and Cash Equivalents at End of Year	<u><u>\$170,902</u></u>

(continued)

Richmond Heights Local School District
Cuyahoga County
 Combined Statement of Cash Flows
 Proprietary Fund Type (Continued)
 For the Fiscal Year Ended June 30, 2000

Reconciliation of Operating Loss To Net	
Cash Used for Operating Activities:	
Operating Loss	<u>(\$78,230)</u>
Adjustments to Reconcile Operating Loss	
to Net Cash Used for Operating Activities:	
Depreciation Expense	4,286
Donated Commodities	4,987
Increase in Assets:	
Accounts Receivable	(3,785)
Inventory Held for Resale	(1,255)
Materials and Supplies Inventory	182
Increase (Decrease) in Liabilities:	
Accounts Payable	(17,679)
Accrued Wages and Benefits	1,988
Compensated Absences Payable	1,015
Intergovernmental Payable	<u>453</u>
Total Adjustments	<u>(9,808)</u>
Net Cash Used for Operating Activities	<u><u>(\$88,038)</u></u>

See accompanying Notes to the General Purpose Financial Statements

Richmond Heights Local School District
Cuyahoga County
 Combined Statement of Revenues, Expenses, and Changes in
 Fund Equity
 Budget (Non-GAAP Basis) and Actual
 Proprietary Fund Type

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Tuition	\$156,375	\$173,564	17,189
Sales	191,730	182,712	(9,018)
Operating Grants	28,270	41,719	13,449
Total Revenues	376,375	397,995	21,620
Expenses:			
Salaries	107,890	106,939	951
Fringe Benefits	45,341	42,730	2,611
Purchased Services	160,698	153,804	6,894
Materials and Supplies	152,423	152,233	190
Other	21,193	8,657	12,536
Total Expenses	487,545	464,363	23,182
<i>Excess of Revenues Under Expenses</i>	(111,170)	(66,368)	44,802
Operating Transfer In	0	24,523	(24,523)
<i>Excess of Revenues and Operating Transfers Under Expenses</i>	(111,170)	(41,845)	(69,325)
Fund Equity at Beginning of Year	160,539	160,539	0
Prior Year Encumbrances Appropriated	32,161	32,161	0
Fund Equity at End of Year	\$81,530	\$150,855	\$69,325

See accompanying Notes to the General Purpose Financial Statements

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Richmond Heights Local School District
Cuyahoga County
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 1. Description of The Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the Richmond Heights Local School District, this includes, general operations, 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 Schools. 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 financial activity is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with three organizations, two of which are defined as jointly governed organizations, and one as public entity risk pool. These organizations are presented in Notes 17 and 18 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

Lakeshore Northeast Ohio Computer Association
Ohio Schools Council Association

Insurance Purchasing Pool:

Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP).

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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 principals (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its 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 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.

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Special Revenue Funds. Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specific 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 debt principal, interest and related costs. The School District currently has no long-term debt outstanding.

Capital Projects Funds. Capital project 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 established to account for School District activities that are financed and operated in a manner similar to private business where the intent is that the costs (expense 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 revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types:

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 fund is custodial in nature (assets equal liabilities) and does 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 obligations related to specific funds and those of a general nature, the following account groups are used:

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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 proprietary funds.

General Long-Term Obligations Account Group. This account is established to account for all long-term obligations of the School District except those accounted for in the enterprise 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. revenue 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 measurements 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 fund type operating statements present increase (e.g. revenues) and decreases (e.g. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures 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 governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue

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recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused commodities are reported as deferred revenue.

C. Budgetary Data

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 appropriation 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 primary 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 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.

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Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the 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 Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates, or a certificate stating no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund, function and object level of expenditures, which are the legal levels of budgetary control. 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 level of control.

Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board 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 the amendments were significant. The budget figures which appear in the statements of budgetary comparison represent 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 the 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

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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 year the unencumbered balance of each appropriation reverts to the respective fund from which 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, 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 the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

The School District has invested funds in STAROhio (State Treasury Asset Reserve of Ohio) during fiscal year 2000. 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, 2000. 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 the fiscal year amounted to \$128,799, which includes \$44,855 assigned from other School District funds.

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 original maturities of three months or less at the time they were purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

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

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and purchased food, 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 the additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed asset account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of twenty years.

G. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase

Non-Reimbursable Grants

Special Revenue Funds

Educational Management Information System
Teacher Development

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Eisenhower Grant
Title I
Title VI
Drug Free Schools
Immigrant Education
Excellence in Education
Continuous Improvement Planning
E-Rate
OhioReads Volunteers
Safe Schools Hotline
Classroom Reduction

Capital Projects Funds
SchoolNet
Textbook Subsidy

Reimbursable Grants

General Fund
Driver Education Reimbursement

Proprietary Funds
National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to 18.5 percent of governmental fund type revenues during the 2000 fiscal year.

H. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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.

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.

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For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using 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.

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as fund 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 group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available resources.

J. 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 funds and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. Fund Balance Reserves

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

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

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L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School for the purchase of textbooks, and to create a reserve for budget stabilization. See Note 20 for additional information regarding set-asides.

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

Note 3 Accountability and Compliance

A. Accountability

The following funds had deficit fund balances/retained earnings at June 30, 2000:

	<u>Deficit Fund Balance/ Retained Earnings</u>
Capital Projects Fund:	
Permanent Improvement	\$191,105
Enterprise Fund	
Summer Camp	17,070

The deficit in the Permanent Improvement arose from the requirement to report the tax anticipation note liabilities in the fund which received the note proceeds. The deficit will be alleviated when the notes are paid or bonds are issued. The deficit in Summer Camp enterprise fund arose from accrual for benefits.

Notes to the General Purpose Financial Statements
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B. Compliance

Contrary to Section 5705.39, Ohio Revised Code, which requires that appropriations from each fund shall not exceed the amount set forth as available for expenditures by the Budget Commission, the School District's Miscellaneous Federal Grant Special Revenue Fund's appropriation exceeded the approved estimated resources by \$2,000.

Note 4 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 Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Combined Statements of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual, Proprietary Fund Type is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

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 types (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:

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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	Capital Projects
GAAP basis	(\$203,468)	\$67,035	\$0	\$339,835
Net Adjustment for Revenue Accruals	489,931	(3,597)	103,326	(97,552)
Proceeds of Notes	0	0	240,000	0
Transfer for Debt Activity	0	0	(51,660)	51,660
Net Adjustment for Expenditure Accruals	8,522	(7,893)	0	(221,834)
Debt Service:				
Principal	0	0	(280,000)	280,000
Interest	0	0	(11,783)	11,783
Adjustments for Encumbrances	(136,170)	(6,005)	0	(320,942)
Budget Basis	<u>\$158,815</u>	<u>\$49,540</u>	<u>(\$117)</u>	<u>\$42,950</u>

Net Income/Excess of Revenues and
Operating Transfers Under Expenses
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$11,207)
Net Adjustments for Revenue Accruals	(4,567)
Net Adjustments for Expense Accruals	(10,310)
Depreciation Expense	4,286
Adjustment for Encumbrances	(20,047)
Budget Basis	<u>(\$41,845)</u>

Note 5 Deposits and Investments

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

Active monies 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 deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive monies 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.

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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 the 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 other obligations or security issued by the United States Treasury or any other obligation guaranteed as to the principal and interest by the United States;
2. Bonds, notes, debentures, or 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 Association. All federal agency securities shall be direct issuances of federal governmental 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

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not to exceed 25 percent of the interim monies available for investments 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, 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 risk as defined in GASB Statements 3, "Deposits with Financial Institution, Investments and Reverse Repurchase Agreements."

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$94,985 and the bank balance was \$353,224. \$100,000 of the bank balance was covered by federal depository insurance. \$253,224 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.

Investments: GASB Statement No. 3 requires investments be categorized to give an indication of the level of 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 counterparty, or by its trust department or agent but not in the School District's name.

The School District invests in STAR Ohio which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

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	Fair Value
STAROhio	\$2,030,582

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:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$2,125,567	\$0
Investments which are part of a Cash Management Pool:		
Star Ohio	(2,030,582)	2,030,582
GASB Statement 3	\$94,985	\$2,030,582

Note 6 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 distributions occur in the first half of the following year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar year 2000 for tangible personal property (other than public utility property) is for calendar 2000.

2000 real property taxes are levied after April 1, 2000, on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property tax currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien as of December 31, 1999, levied after April 1, 2000 and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 2000 on the value listed as of December 31, 1999. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2000 taxes were collected are:

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	1999 Second - Half Collections		2000 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$131,043,290	70.04%	\$133,744,740	69.77%
Public Utility Personal Tangible Personal Property	40,456,900	21.62	41,657,380	21.73
	5,142,960	2.75	4,723,300	2.46
	10,451,641	5.59	11,577,649	6.04
Total	<u>\$187,094,791</u>	<u>100.00%</u>	<u>\$191,703,069</u>	<u>100.00%</u>

Tax Rate per \$1,000 of Assessed Valuation \$73.10 \$73.10

Real property taxes are payable annually and 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.

Tangible personal property taxes paid 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. This year, the June 2000 tangible personal property tax settlement was not received until July of 2000.

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding, and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2000 and a delayed personal property settlement made in July. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 and the delayed settlement is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000 was \$492,296. \$485,367 was available to the general fund and \$6,929 was available to the permanent improvement fund.

Note 7 Receivables

Receivables at June 30, 2000, consisted of taxes, accounts (rent and tuition) and

Richmond Heights Local School District
Cuyahoga County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivable</u>	<u>Amount</u>
General Fund	\$1,150
Special Revenue Funds	
Eisenhower	1,346
Title II	1,716
Total	<u><u>\$4,212</u></u>

Note 8 Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$28,565
less: Accumulated Depreciation	<u>(16,672)</u>
Net Fixed Assets	<u><u>\$11,893</u></u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

	Balance <u>June 30, 1999</u>	<u>Additions</u>	<u>Removals</u>	Balance <u>June 30, 2000</u>
Land and Improvements	\$302,659	\$0	\$0	\$302,659
Buildings	3,329,524	16,072	0	3,345,596
Furniture and Equipment	1,137,074	85,131	0	1,222,205
Vehicles	768,588	262,191	0	1,030,779
Textbooks and Library Books	<u>634,327</u>	<u>37,322</u>	<u>0</u>	<u>671,649</u>
Total	<u><u>\$6,172,172</u></u>	<u><u>\$400,716</u></u>	<u><u>\$0</u></u>	<u><u>\$6,572,888</u></u>

Note 9 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 disaster. For fiscal year 2000, the School District contracted with Crum and Forster for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket coverage. Crum & Forster Insurance covers the boiler and machinery with a \$1,000 deductible and a \$30,000,000 limit.

Professional liability is protected by Nationwide Insurance with a \$1,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible. Vehicles are covered by Nationwide Insurance and hold a \$50 deductible for comprehensive and a \$250 deductible

Richmond Heights Local School District
Cuyahoga County
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

for collision. Automobile liability has a \$2,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any year. There has not been a significant change in coverage from the prior year.

For the fiscal year 2000, the School District participated in the Ohio Schools Boards 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 experiences 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 with the overall saving 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 & Co. provides administrative, cost control and actuarial service to the GRP.

Note 10 Defined Benefit Pension Plans

A. School Employees Retirement System

The Richmond Heights Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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, 45 N. Fourth Street, Columbus, Ohio 43215-3534.

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 used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered payroll was the portion used to fund pension obligations. For fiscal year 1999, 7.7 percent 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'

Richmond Heights Local School District
Cuyahoga County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$73,779, \$97,944, and \$124,413, respectively: 62.45 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$70,516 represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. The report can be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street Columbus, Ohio 43215-3771.

For the fiscal year ended June 30 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$212,682, \$207,624, and \$327,419, respectively: 79.02 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$104,093 represents the unpaid contribution for fiscal year 2000, and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, elected board members 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 System/State Teachers Retirement System. As of June 30, 2000 one board member is electing Social Security.

Note 11 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-certified 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

Richmond Heights Local School District
Cuyahoga County
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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 State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs 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, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$283,576 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor 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 of 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, 2000 employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including surcharge, during the 2000 fiscal year equaled \$128,736.

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, 1999 (the latest information available) were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

Richmond Heights Local School District
Cuyahoga County
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 12 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 are not on a twelve month contract and earn no vacation time. Teachers, administrators and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to 235 days for classified employees and up to 230 days for teachers and administrators. Upon retirement, payment is made to teachers ranging from 6.24 percent to 25 percent of up to a maximum of 200 accumulated sick days. The same percentages apply to classified employees 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 Medical Life Insurance Company sponsored by Medical Mutual of Ohio, in the amount of \$35,000 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 in fiscal year 1999 for certified employees. The Retirement Incentive is based upon first-time retirement eligibility under STRS and notification of retirement in writing by June 15, 1998. The retirement incentive is paid in two installments by June of each year following the effective retirement date.

Richmond Heights Local School District
Cuyahoga County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 13 Note Debt

During fiscal year 2000, the School District issued a \$240,000 tax anticipation note for the purpose of rolling over energy conservation notes first issued by the School District in 1993. The note will be repaid August 27, 2001, with tax revenue. 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 6/30/99	Additions	Deletions	Balance 6/30/00
Energy Conservation - 4.1 %	\$280,000	\$240,000	\$280,000	\$240,000

Note 14 Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2000, were as follows:

	Principal Balance 6/30/99	Additions	Deductions	Principal Outstanding 6/30/00
Compensated Absences	\$397,913	\$41,303	\$0	\$439,216
Capital Leases	0	400,000	0	400,000
Pension Obligation	84,920	67,802	84,920	67,802
Early Retirement Incentive	167,775	167,775	167,775	167,775
Total General Long-Term Obligations	\$650,608	\$676,880	\$252,695	\$1,074,793

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 debt margin was \$17,013,276 with an unvoted debt margin of \$191,703 at June 30, 2000.

Note 15 State School Foundation Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides monetary support to this School District. During the fiscal year ended June 30, 2000, the School District received \$832,610 of school

Richmond Heights Local School District
Cuyahoga County
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "through and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court has rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and the adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

Note 16 Contingencies

A. *Grants*

The School District receives 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, 2000.

Note 17 Jointly Governed Organizations

Lakeshore Northeast Ohio Computer Association - The Lakeshore Northeast Ohio Computer

Richmond Heights Local School District
Cuyahoga County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Association (LNOCA) is a jointly governed organization among seventeen (17) public school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LNOCA based upon a per pupil charge dependent upon the software package utilized. The LNOCA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LNOCA is governed by a Board of Directors chosen from the general membership of the LNOCA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least one Assembly member from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the board used. Financial information can be obtained by contacting LNOCA, 7800 Wall Street, Valley View, Ohio 44125.

Ohio Schools Council Association - The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-three 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 terms rotate every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2000, the School District paid \$750 to the Council for the annual participation fee. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

The School District also participates in the Council's electric purchase program, which was implemented during fiscal year 1998. This 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 in 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 purchase 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 its agreement, the school district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

The School District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase

Richmond Heights Local School District
Cuyahoga County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

natural gas at reduced rates, if the school district will commit to participating for a twelve year period. The participants make monthly payments based in estimated usage. Each month these estimated payments 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 the amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

Note 18 Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation 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 designees, 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 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, 2000.

	Food Service	Summer Camp	Latchkey	Total Enterprise Funds
Operating Revenues	\$182,713	\$55,410	\$121,939	\$360,062
Depreciation	4,216	0	70	4,286
Operating Income (Loss)	(63,163)	(17,070)	2,004	(78,230)
Donated Commodities	4,987	0	0	4,987
Operating Grants	37,513	0	0	37,513
Operating Transfers In	24,523	0	0	24,523
Net Income (Loss)	3,859	(17,070)	2,004	(11,207)
Net Working Capital	3,220	63,848	88,773	155,841
Total Assets	21,665	73,294	95,182	190,141
Long-Term Compensated Absences Payable	1,573	0	2,862	4,435
Total Equity	13,055	63,848	86,396	163,299
Encumbrances June 30, 2000	\$6,948	\$11,118	\$1,981	\$20,047

Richmond Heights Local School District
Cuyahoga County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 20 Set-Aside Requirements

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital improvements and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvement	Budget Reserve
Set-aside Reserve Balance as of June 30, 1999	\$12,029	\$0	\$101,927
Current Year Set-aside Requirement	192,398	192,398	64,876
Offsets During the Fiscal Year	0	(138,287)	0
Qualifying Disbursements	(180,377)	(105,620)	0
Set-aside Balance Carried Forward To Future Fiscal Years	<u>\$24,050</u>	<u>(\$51,509)</u>	<u>\$166,803</u>
Set-aside Reserve Balance As of June 30, 2000	<u>\$24,050</u>	<u>\$0</u>	<u>\$166,803</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. The total reserve balance for the three set-asides at the end of the fiscal year was \$190,853.

Note 21 Interfund Activity

At June 30, 2000 the general fund had an interfund receivable of \$25,000 and the building capital project fund had an interfund payable of \$25,000.

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 22 Capitalized Leases – Lessee Disclosure

The School District has entered into a capital lease for the construction of a bus service building. As part of the agreement, Fifth Third Banks, as lessor, provided \$400,000 for the construction. General fixed assets being constructed with this lease have been capitalized in the general fixed assets account group in the amount of \$400,000 for building as of June 30, 2000. This liability was recorded in the general long-term obligations account group.

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.

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, 2000.

Richmond Heights Local School District
Cuyahoga County

Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

<u>Fiscal Year Ending June 30,</u>	<u>Totals</u>
2001	\$52,689
2002	52,689
2003	52,689
2004	52,689
2005	52,689
2006-2008	<u>250,246</u>
Total	513,691
Less: Amount Representing Interest	<u>(113,691)</u>
Present Value of Net Minimum Lease Payments	<u>\$400,000</u>

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

Richmond Heights Local School District
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, 2000, and have issued our report thereon dated December 20, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 an immaterial instances of noncompliance that we have reported to management of the District in a separate letter December 20, 2000.

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. However, we noted matters involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 20, 2000.

Richmond Heights Local School District
Cuyahoga County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

Jim Petro
Auditor of State

December 20, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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 16, 2001**