



Dave Yost • Auditor of State



**MAPLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Maple Heights City School District  
Cuyahoga County  
14605 Granger Road  
Maple Heights, Ohio 44137

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Maple Heights City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Maple Heights City School District, Cuyahoga County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District adopted the provisions of Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2012, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

April 16, 2012

**Maple Heights City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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The discussion and analysis of the Maple Heights City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Highlights**

Key financial highlights for 2011 are as follows:

- Total net assets increased by \$0.9 million. Total liabilities increased to \$91.6 million from \$88.7 million in fiscal year 2010, while total assets increased by \$3.8 million. The increase in liabilities for fiscal year 2011 was primarily the result of outstanding contractual obligations related to new school buildings at fiscal year end.
- Total revenue increased from \$47.4 million in fiscal year 2010 to \$49.6 million. The increase in revenue was due to receiving higher operating grants and contributions related to specific programs.
- Property tax revenue increased by \$1.5 million due to the passing of a 7.8 mill permanent improvement levy, which is used to pay for the local share of the Ohio Classroom Facilities Assistance Program, as well as higher property tax advances from Cuyahoga County.
- The School District was named an "Effective School" in 2011 for the first time in its history and was recognized by Battelle for Kids for having the 8<sup>th</sup> highest gains in student growth among the 600 school districts in Ohio.

During fiscal year 2011, the School District was self insured for medical insurance benefits provided to School District employees. Over the past several years the School District has experienced double digit percentage increases for employee benefits without the means to generate the revenue necessary to meet these increases. In an effort to curtail future double percentage increases of employee benefits, the School District became self insured in fiscal year 2008 for purposes of cost containment. The School District has seen a savings by being self insured although this trend may not continue in the future. In addition, the School District has purchased stop loss insurance.

The School District's five year forecast (which has been submitted to the Ohio Department of Education and appears on our website) reflects a positive cash balance through fiscal year 2012. One of the largest sources of revenue included in the forecast is State foundation revenue. State foundation revenue amounts are uncertain. The five year forecast includes projected revenue for fiscal years 2012 through 2016. Funding for fiscal years 2012 through 2016 can only be estimated at this time, and is largely uncertain beyond 2012 due to the revenue challenges that the State of Ohio is facing. The tangible personal property reimbursement from the State has been virtually eliminated after this year representing a loss to the School District of over \$1 million for each of the next several fiscal years.

**Maple Heights City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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### **Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the School District, the general fund is by far the most significant fund. The bond retirement debt service fund and the building and classroom facilities capital projects funds are also major funds.

### **Reporting the School District as a Whole**

The Statement of Net Assets and the Statement of Activities reflect how the School District did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes of these changes may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District activities are reported as governmental activities, including instruction, support services, non-instructional services and extracurricular activities.

### **Reporting the School District's Most Significant Funds**

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the bond retirement debt service fund, and the building and classroom facilities capital projects funds.

**Governmental Funds** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you



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*Management's Discussion and Analysis*  
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determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary Fund** The School District maintains one proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for medical benefits of School District employees. The proprietary fund uses the accrual basis of accounting.

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2011 compared to fiscal year 2010:

**Table 1**  
Net Assets  
Governmental Activities

	2011	2010	Change
<b>Assets</b>			
Current and Other Assets	\$92,790,062	\$131,592,703	(\$38,802,641)
Capital Assets, Net	65,318,887	22,750,576	42,568,311
<i>Total Assets</i>	<u>158,108,949</u>	<u>154,343,279</u>	<u>3,765,670</u>
<b>Liabilities</b>			
Current and Other Liabilities	26,152,427	22,889,719	3,262,708
Long-Term Liabilities:			
Due Within One Year	939,848	879,490	60,358
Due in More than One Year	64,536,408	64,960,505	(424,097)
<i>Total Liabilities</i>	<u>91,628,683</u>	<u>88,729,714</u>	<u>2,898,969</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	15,695,622	12,365,326	3,330,296
Restricted:			
Capital Projects	51,582,072	54,193,049	(2,610,977)
Other Purposes	2,294,517	1,577,237	717,280
Unrestricted (Deficit)	(3,091,945)	(2,522,047)	(569,898)
<i>Total Net Assets</i>	<u>\$66,480,266</u>	<u>\$65,613,565</u>	<u>\$866,701</u>

**Maple Heights City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

Total assets increased by \$3.8 million, which was mainly due to increases in capital assets related to the construction of new school buildings. Total liabilities for governmental activities increased by \$2.9 million, primarily the result of outstanding contractual obligations related to the new school buildings. The net impact of these two occurrences was an increase in net assets of \$0.9 million.

Table 2 shows the change in net assets for fiscal year 2011 compared to fiscal year 2010.

**Table 2**  
Change in Net Assets

	2011	2010	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,685,644	\$1,243,628	\$442,016
Operating Grants and Contributions	7,872,865	5,830,404	2,042,461
<i>Total Program Revenues</i>	<u>9,558,509</u>	<u>7,074,032</u>	<u>2,484,477</u>
General Revenues:			
Property Taxes	17,841,228	16,339,689	1,501,539
Grants and Entitlements	21,471,991	21,959,292	(487,301)
Investment Earnings	428,168	1,473,595	(1,045,427)
Contributions and Donations	48,946	0	48,946
Other	285,057	535,662	(250,605)
<i>Total General Revenues</i>	<u>40,075,390</u>	<u>40,308,238</u>	<u>(232,848)</u>
<i>Total Revenues</i>	<u>49,633,899</u>	<u>47,382,270</u>	<u>2,251,629</u>
<b>Program Expenses</b>			
Instruction	26,718,174	25,442,045	1,276,129
Support Services:			
Pupil and Instructional Staff	3,537,437	3,987,320	(449,883)
Board of Education, Administration			
Fiscal and Business	6,908,433	6,276,043	632,390
Operation and Maintenance of Plant	3,944,541	4,372,077	(427,536)
Pupil Transportation	1,536,715	1,058,647	478,068
Central	25,168	24,068	1,100
Operation of Non-Instructional Services	154,419	249,318	(94,899)
Extracurricular Activities	1,057,344	1,015,623	41,721
Food Services Operations	1,844,826	1,512,160	332,666
Interest and Fiscal Charges	3,040,141	2,705,880	334,261
<i>Total Program Expenses</i>	<u>48,767,198</u>	<u>46,643,181</u>	<u>2,124,017</u>
Net Change in Net Assets	866,701	739,089	127,612
<i>Net Assets Beginning of Year</i>	<u>65,613,565</u>	<u>64,874,476</u>	<u>739,089</u>
<i>Net Assets End of Year</i>	<u>\$66,480,266</u>	<u>\$65,613,565</u>	<u>\$866,701</u>

**Maple Heights City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

Total revenue increased for governmental activities from \$47.4 million to \$49.6 million. The vast majority of revenue supporting governmental activities is general revenue. General revenue decreased from \$40.3 million in fiscal year 2010 to \$40.1 million in fiscal year 2011. The primary source of the decrease was in investment earnings revenue. General revenue comprised 80.7 percent of total revenue.

Property taxes made up 35.9 percent of revenues for governmental activities for the School District in fiscal year 2011. Overall, property tax revenue increased by \$1.5 million. Property tax revenue increased due to the passing of a 7.8 mill permanent improvement levy, which is used to pay for the local share of the Ohio Classroom Facilities Assistance Program, as well as higher property tax advances from Cuyahoga County.

Program expense increased from \$46.6 million in fiscal year 2010 to \$48.8 million in fiscal year 2011. The major program expense for governmental activities, as expected, is for instruction. Instructional costs were \$1.3 million higher than the prior year. When combined with pupil and instructional staff support, these categories make up 62 percent of expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted State entitlements.

**Table 3**  
**Governmental**  
**Activities**

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Instruction	\$26,718,174	(\$20,941,497)	\$25,442,045	(\$22,133,292)
Support Services:				
Pupil and Instructional Staff	3,537,437	(2,553,507)	3,987,320	(3,005,411)
Board of Education, Administration				
Fiscal and Business	6,908,433	(6,427,237)	6,276,043	(6,143,724)
Operation and Maintenance of Plant	3,944,541	(3,786,608)	4,372,077	(4,273,351)
Pupil Transportation	1,536,715	(1,491,385)	1,058,647	(888,658)
Central	25,168	(5,581)	24,068	39,124
Operation of Non-Instructional Services	154,419	21,669	249,318	(32,235)
Extracurricular Activities	1,057,344	(940,484)	1,015,623	(885,176)
Food Service Operations	1,844,826	(43,918)	1,512,160	459,454
Interest and Fiscal Charges	3,040,141	(3,040,141)	2,705,880	(2,705,880)
<i>Total</i>	<u>\$48,767,198</u>	<u>(\$39,208,689)</u>	<u>\$46,643,181</u>	<u>(\$39,569,149)</u>

**Maple Heights City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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The dependence upon general tax revenues and unrestricted State entitlements for governmental activities is apparent. In fiscal year 2011, 36.6 percent of total expenses are supported through taxes, an increase from the 35 percent in fiscal year 2010. Grants and entitlements not restricted to specific programs in fiscal year 2011 support 44 percent, a decrease from the 47.1 percent in fiscal year 2010. Investments and other miscellaneous type revenues support the remaining activity costs. In fiscal year 2011, program revenues only account for 19.6 percent of all governmental expenses, an increase from the 15.2 percent in fiscal year 2010. The community, as a whole, is a primary support for School District students, with property taxes and unrestricted State entitlements being the most important source of revenue.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. A review of the School District's major funds demonstrates a decrease in fund balance for all major funds. All governmental funds had total revenues of \$56.2 million and expenditures of \$92.7 million. The net change in fund balance for the year was most significant in the classroom facilities fund, where the fund balance went from a fund balance of \$93 million in fiscal year 2010 to a fund balance of \$57.6 million for fiscal year 2011. The main reason for this decrease was due to capital outlays for new buildings within the School District.

**General Fund Budgeting Highlights**

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

During fiscal 2011, the School District amended its general fund budget as needed. The School District uses site-based budgeting. The budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. For the general fund, final estimated revenue was \$39,480,004, above the original budget estimate of \$37,623,084, and above actual revenues of \$36,287,650. The final estimated expenditures were \$39,646,525, above the original budgeted expenditures of \$33,257,469, and above actual expenditures of \$36,966,505.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$678,855 above revenues. After other financing sources and uses are included, the net change in fund balance was a decrease of \$722,164.

**Maple Heights City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

**Capital Assets and Debt Administration**

*Capital Assets*

Table 4 shows fiscal year 2011 balances compared to fiscal year 2010. More detailed information is presented in Note 13 to the basic financial statements.

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

	2011	2010
Land	\$1,220,608	\$1,220,608
Construction in Progress	52,342,037	9,404,123
Buildings and Improvements	10,792,400	11,145,454
Furniture and Equipment	596,937	475,966
Vehicles	366,905	504,425
Totals	\$65,318,887	\$22,750,576

The increase in capital assets is due primarily to the ongoing construction of new school buildings throughout the School District.

*Debt*

Table 5 summarizes the debt outstanding for fiscal years 2011 and 2010. More detailed information is presented in Notes 17 and 18 to the basic financial statements.

**Table 5**  
 Outstanding Debt at June 30  
 Governmental Activities

	2011	2010
<b><i>Certificates of Participation:</i></b>		
2008 Certificates of Participation	\$3,165,000	\$3,265,000
<b><i>General Obligation Bonds:</i></b>		
2010 School Facilities Improvement Bonds	55,054,932	55,734,932
<b><i>Short-Term Notes:</i></b>		
Energy Conservation Note	2,711,000	2,811,000
Totals	\$60,930,932	\$61,810,932

The 2008 certificates of participation were issued to make renovations to the Wylie Athletic Complex.

The 2010 school facilities improvement general obligation bonds were issued to retire the 2009 school facilities improvement note, which was originally issued for the construction of new elementary, middle, and high school buildings in the School District.

**Maple Heights City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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The 2011 energy conservation note was issued to refinance the 2010 energy conservation note. Originally, these notes were issued to replace heating systems at Dunham and Raymond Elementary Schools, lighting systems, and steam traps in all School District buildings and exterior windows at Rockside Elementary. Principal and interest payments are made from the general fund through savings realized through reductions in energy consumption.

At June 30, 2011, the School District's overall legal debt margin was \$35,910,279 with an unvoted debt margin of \$399,003. The debt is well within permissible limits.

### **Current Issues**

The School District's five-year forecast continues to be the instrument used to make future financial decisions with regard to program and funding strategies. Currently, the forecast indicates a positive fund balance through 2012, but a careful strategy must be developed in regards to future labor negotiations, health insurance cost containment, rising utility costs, and the need for increased revenue to support the School District's educational objectives.

The School District is maintaining its programs and using its resources wisely. As the preceding information shows, the School District heavily depends on its property taxpayers and support from unrestricted State entitlements; however, financially the future is not without challenges.

The passage of a 16.5 mill operating levy in 2008 provides additional funds to meet operating expenses and offset the decline of personal property tax due to the phase out of the tangible personal property tax. This decline due to decreasing personal property business taxes, and delinquencies means reduced tax revenue in future years. With this decline in tax collections, the School District must seek additional tax revenues to continue current School District operations. However, the School District cannot look to the State of Ohio for increased revenue.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years.

The School District has committed itself to financial excellence for many years. For the first time in its history, the School District obtained the ranking of "effective", moving up from the category of "continuous improvement". In addition, the School District's system of budgeting and internal controls is critical to the integrity of the use of public funds. All of the School District's financial abilities will be needed to meet the challenges of the future.

In July 2008, the School District entered into an agreement with the Ohio School Facilities Commission (OSFC) to construct new classroom facilities. All elementary, middle, and high school buildings in the School District are being replaced. The School District has been awarded a grant from OSFC in the amount of \$55,652,177, which is approximately 50 percent of the cost of the project. The local share of the project is funded through a bond issue passed in March 2008. The final phase that includes a new high school is scheduled to be completed in 2012 and in operation at the beginning of fiscal year 2013.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert J. Applebaum, Treasurer at Maple Heights City School District, 14605 Granger Road, Maple Heights, Ohio 44137; or by e-mail at bob.applebaum@mapleschools.com.

## **Basic Financial Statements**

**Maple Heights City School District**

*Statement of Net Assets*

*June 30, 2011*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$68,451,454
Cash Equivalents Held by Trustee	338,718
Accounts Receivable	2,834
Intergovernmental Receivable	3,575,505
Accrued Interest Receivable	39,699
Inventory Held for Resale	12,344
Property Taxes Receivable	19,792,219
Deferred Charges	577,289
Nondepreciable Capital Assets	53,562,645
Depreciable Capital Assets, Net	<u>11,756,242</u>
<i>Total Assets</i>	<u>158,108,949</u>
<b>Liabilities</b>	
Accounts Payable	282,893
Accrued Wages and Benefits	3,069,392
Contracts Payable	3,523,641
Intergovernmental Payable	1,388,268
Matured Compensated Absences Payable	193,426
Claims Payable	372,459
Accrued Interest Payable	1,218,876
Deferred Revenue	13,392,472
Notes Payable	2,711,000
Long-Term Liabilities:	
Due Within One Year	939,848
Due In More Than One Year	<u>64,536,408</u>
<i>Total Liabilities</i>	<u>91,628,683</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	15,695,622
Restricted for:	
Capital Projects	51,582,072
Special Education	377,641
Training and Development	40,375
Alternative Education	429
Food Service	584,223
Other Purposes	1,291,849
Unrestricted (Deficit)	<u>(3,091,945)</u>
<i>Total Net Assets</i>	<u><u>\$66,480,266</u></u>

See accompanying notes to the basic financial statements



**Maple Heights City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Total
<b>Governmental Activities</b>				
Instruction:				
Regular	\$21,094,037	\$519,890	\$3,996,321	(\$16,577,826)
Special	4,180,223	99,966	1,068,388	(3,011,869)
Vocational	1,443,448	43,420	48,188	(1,351,840)
Adult/Continuing	466	0	504	38
Support Services:				
Pupil	1,610,678	49,680	39,162	(1,521,836)
Instructional Staff	1,926,759	41,607	853,481	(1,031,671)
Board of Education	60,640	1,901	0	(58,739)
Administration	4,313,714	123,394	282,015	(3,908,305)
Fiscal	1,956,044	55,977	0	(1,900,067)
Business	578,035	17,909	0	(560,126)
Operation and Maintenance of Plant	3,944,541	123,336	34,597	(3,786,608)
Pupil Transportation	1,536,715	45,330	0	(1,491,385)
Central	25,168	585	19,002	(5,581)
Operation of Non-Instructional Services	154,419	17,812	158,276	21,669
Extracurricular Activities	1,057,344	111,261	5,599	(940,484)
Food Service Operations	1,844,826	433,576	1,367,332	(43,918)
Interest and Fiscal Charges	3,040,141	0	0	(3,040,141)
<i>Total</i>	<u>\$48,767,198</u>	<u>\$1,685,644</u>	<u>\$7,872,865</u>	<u>(39,208,689)</u>

**General Revenues**

Property Taxes Levied for:	
General Purposes	14,312,601
Special Revenue	197,165
Debt Service	3,055,899
Capital Outlay	275,563
Grants and Entitlements not	
Restricted to Specific Programs	21,471,991
Investment Earnings	428,168
Unrestricted Contributions and Donations	48,946
Miscellaneous	285,057
<i>Total General Revenues</i>	<u>40,075,390</u>
Change in Net Assets	866,701
<i>Net Assets Beginning of Year</i>	<u>65,613,565</u>
<i>Net Assets End of Year</i>	<u>\$66,480,266</u>

See accompanying notes to the basic financial statements

**Maple Heights City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2011*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$574,135	\$2,647,186	\$61,050,333	\$3,701,533
Receivables:				
Property Taxes Receivable	15,876,620	3,504,264	0	411,335
Accounts Receivable	1,776	0	0	1,058
Intergovernmental Receivable	0	0	2,035,059	1,540,446
Accrued Interest Receivable	0	0	39,699	0
Interfund Receivable	358,248	0	0	0
Inventory Held for Resale	0	0	0	12,344
Restricted Assets:				
Cash Equivalents Held by Trustee	0	0	0	338,718
<i>Total Assets</i>	<u>\$16,810,779</u>	<u>\$6,151,450</u>	<u>\$63,125,091</u>	<u>\$6,005,434</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$183,960	\$0	\$0	\$98,323
Accrued Wages and Benefits	2,771,485	0	0	297,907
Intergovernmental Payable	1,304,917	0	0	83,351
Interfund Payable	0	0	0	358,248
Contracts Payable	0	0	3,523,641	0
Matured Compensated Absences Payable	193,426	0	0	0
Deferred Revenue	13,480,778	2,962,141	2,035,059	1,182,485
Accrued Interest Payable	0	0	0	7,342
Notes Payable	0	0	0	2,711,000
<i>Total Liabilities</i>	<u>17,934,566</u>	<u>2,962,141</u>	<u>5,558,700</u>	<u>4,738,656</u>
<b>Fund Balances</b>				
Restricted	0	3,189,309	57,566,391	1,517,107
Assigned	726,106	0	0	0
Unassigned (Deficit)	<u>(1,849,893)</u>	<u>0</u>	<u>0</u>	<u>(250,329)</u>
<i>Total Fund Balances (Deficit)</i>	<u>(1,123,787)</u>	<u>3,189,309</u>	<u>57,566,391</u>	<u>1,266,778</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$16,810,779</u>	<u>\$6,151,450</u>	<u>\$63,125,091</u>	<u>\$6,005,434</u>

See accompanying notes to the basic financial statements

**Maple Heights City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2011*

Total Governmental Funds	<b>Total Governmental Funds Balances</b>	\$60,898,691
	<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$67,973,187	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	65,318,887
19,792,219	Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:	
2,834	Delinquent Property Taxes	3,401,399
3,575,505	Grants	2,866,592
39,699		
358,248	Total	6,267,991
12,344		
338,718	An internal service fund is used by management to charge the costs of internal service fund are included in governmental activities in the statement of net assets.	105,198
\$92,092,754		
	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(1,211,534)
\$282,283		
3,069,392	Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.	
1,388,268		577,289
358,248	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
3,523,641	General Obligation Bonds	(53,010,000)
193,426	Capital Appreciation Bonds	(2,044,932)
19,660,463	Certificates of Participation	(3,165,000)
7,342	Premium on Bonds and Certificates of Participation	(4,233,096)
2,711,000	Accretion	(808,130)
	Compensated Absences	(2,215,098)
31,194,063	Total	(65,476,256)
62,272,807		
726,106	<i>Net Assets of Governmental Activities</i>	\$66,480,266
(2,100,222)		
60,898,691		
\$92,092,754		

**Maple Heights City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds
<b>Revenues</b>				
Property Taxes	\$14,121,848	\$2,951,355	\$0	\$469,594
Intergovernmental	20,961,125	426,244	6,993,499	7,818,398
Interest	11,527	0	411,456	5,185
Charges for Services	17,805	0	0	433,544
Tuition and Fees	1,149,140	0	0	0
Extracurricular Activities	41,855	0	0	43,300
Contributions and Donations	48,946	0	0	5,599
Miscellaneous	163,294	0	96,386	25,377
<i>Total Revenues</i>	<u>36,515,540</u>	<u>3,377,599</u>	<u>7,501,341</u>	<u>8,800,997</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	17,244,504	0	0	3,921,853
Special	3,143,518	0	0	1,056,439
Vocational	1,468,436	0	0	31,845
Adult/Continuing	0	0	0	466
Support Services:				
Pupil	1,592,816	0	0	39,136
Instructional Staff	1,310,186	0	0	666,739
Board of Education	57,652	0	0	0
Administration	4,112,006	0	0	252,614
Fiscal	1,712,485	95,734	0	157,470
Business	545,997	0	0	0
Operation and Maintenance of Plant	3,849,391	0	0	83,839
Pupil Transportation	1,451,110	0	0	0
Central	17,734	0	0	7,434
Operation of Non-Instructional Services	222	0	0	154,197
Extracurricular Activities	791,586	0	0	96,558
Food Service Operations	975	0	0	1,842,418
Capital Outlay	29,826	0	42,970,709	13,442
Debt Service:				
Principal Retirement	0	680,000	0	100,000
Interest and Fiscal Charges	0	3,147,659	0	32,114
<i>Total Expenditures</i>	<u>37,328,444</u>	<u>3,923,393</u>	<u>42,970,709</u>	<u>8,456,564</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(812,904)</u>	<u>(545,794)</u>	<u>(35,469,368)</u>	<u>344,433</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	0	43,309
Transfers Out	(43,309)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(43,309)</u>	<u>0</u>	<u>0</u>	<u>43,309</u>
<i>Net Change in Fund Balances</i>	<u>(856,213)</u>	<u>(545,794)</u>	<u>(35,469,368)</u>	<u>387,742</u>
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>(267,574)</u>	<u>3,735,103</u>	<u>93,035,759</u>	<u>879,036</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,123,787)</u>	<u>\$3,189,309</u>	<u>\$57,566,391</u>	<u>\$1,266,778</u>

See accompanying notes to the basic financial statements

**Maple Heights City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

Total Governmental Funds	<b>Net Change in Fund Balances -Total Governmental Funds</b>	(\$36,483,633)
	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
\$17,542,797	Governmental funds report capital outlays as expenditures. However, in	
36,199,266	the statement of activities, the cost of those assets is allocated over	
428,168	their estimated useful lives as depreciation expense. This is the amount	
451,349	by which capital outlay exceeded depreciation in the current period.	
1,149,140	Capital Outlay	43,113,530
85,155	Current Year Depreciation	<u>(545,219)</u>
54,545		
285,057	Total	42,568,311
56,195,477	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	Delinquent Property Taxes	298,431
	Intergovernmental	<u>(6,860,009)</u>
21,166,357	Total	(6,561,578)
4,199,957	Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
1,500,281	Certificates of Participation	100,000
466	General Obligation Bonds	<u>680,000</u>
1,631,952	Total	780,000
1,976,925	Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
57,652	Accrued Interest	515,345
4,364,620	Annual Accretion	(516,198)
1,965,689	Issuance Cost	(23,742)
545,997	Amortization of Premium	<u>164,227</u>
3,933,230	Total	139,632
1,451,110	Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
25,168		
154,419		
888,144		
1,843,393		
43,013,977		
780,000		
3,179,773		
92,679,110		
(36,483,633)	The internal service fund used by management to charge the cost of insurance is included in the statement of activities and not on the governmental fund statement of revenues and expenditures.	<u>488,259</u>
43,309	<i>Change in Net Assets of Governmental Activities</i>	<u>\$866,701</u>
(43,309)		
0		
(36,483,633)		
97,382,324		
\$60,898,691		

**Maple Heights City School District**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$14,470,416	\$15,187,645	\$13,963,186	(\$1,224,459)
Intergovernmental	21,717,149	22,786,176	20,961,125	(1,825,051)
Interest	26,146	27,433	25,236	(2,197)
Charges for Services	18,447	19,355	17,805	(1,550)
Tuition and Fees	1,191,326	1,249,969	1,149,853	(100,116)
Extracurricular Activities	5,113	5,365	4,935	(430)
Contributions and Donations	2,806	2,944	2,708	(236)
Miscellaneous	191,681	201,117	162,802	(38,315)
<i>Total Revenues</i>	37,623,084	39,480,004	36,287,650	(3,192,354)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	15,000,658	18,387,131	17,238,983	1,148,148
Special	2,733,532	3,450,746	3,158,495	292,251
Vocational	1,200,156	1,723,486	1,528,139	195,347
Support Services:				
Pupil	1,831,420	1,813,008	1,615,625	197,383
Instructional Staff	1,033,070	1,249,490	1,116,538	132,952
Board of Education	74,522	78,636	57,308	21,328
Administration	3,462,084	4,255,125	3,872,317	382,808
Fiscal	1,654,092	1,744,885	1,742,602	2,283
Business	546,648	556,572	541,608	14,964
Operation and Maintenance of Plant	3,688,991	4,094,707	3,884,592	210,115
Pupil Transportation	1,374,448	1,510,389	1,453,857	56,532
Central	25,845	31,300	17,705	13,595
Operation of Non-Instructional Services	2,928	503	503	0
Extracurricular Activities	582,182	708,980	706,692	2,288
Food Service Operations	381	975	975	0
Capital Outlay	46,512	40,592	30,566	10,026
<i>Total Expenditures</i>	33,257,469	39,646,525	36,966,505	2,680,020
<i>Excess of Revenues Over (Under) Expenditures</i>	4,365,615	(166,521)	(678,855)	(512,334)
<b>Other Financing Uses</b>				
Transfers Out	(3,577,401)	(94,456)	(43,309)	51,147
<i>Net Change in Fund Balance</i>	788,214	(260,977)	(722,164)	(461,187)
<i>Fund Balance Beginning of Year</i>	1,352,206	1,352,206	1,352,206	0
Prior Year Encumbrances Appropriated	132,766	132,766	132,766	0
<i>Fund Balance End of Year</i>	\$2,273,186	\$1,223,995	\$762,808	(\$461,187)

See accompanying notes to the basic financial statements

**Maple Heights City School District**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2011*

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	<u>Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$478,267</u>
<b>Liabilities</b>	
Accounts Payable	610
Claims Payable	<u>372,459</u>
<i>Total Liabilities</i>	<u>373,069</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$105,198</u></u>

See accompanying notes to the basic financial statements

**Maple Heights City School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2011*

	Insurance
<b>Operating Revenues</b>	
Charges for Services	\$4,837,875
Other	26,327
<i>Total Operating Revenues</i>	4,864,202
<b>Operating Expenses</b>	
Purchased Services	172,617
Claims	4,203,326
<i>Total Operating Expenses</i>	4,375,943
<i>Change in Net Assets</i>	488,259
<i>Net Assets (Deficit) Beginning of Year</i>	(383,061)
<i>Net Assets End of Year</i>	\$105,198

See accompanying notes to the basic financial statements



**Maple Heights City School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2011

	Insurance
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$4,837,875
Cash Received from Other Sources	26,327
Cash Payments for Purchased Services	(172,007)
Cash Payments for Claims	(4,194,107)
<i>Net Cash Provided by Operating Activities</i>	498,088
<b>Cash Flows from Noncapital Financing Activities</b>	
Advances Out	(19,821)
<i>Net Increase in Cash and Cash Equivalents</i>	478,267
<i>Cash and Cash Equivalents Beginning of Year</i>	0
<i>Cash and Cash Equivalents End of Year</i>	\$478,267
 <b><i>Reconciliation of Operating Income</i></b>	
<b><i>to Net Cash Provided by Operating Activities</i></b>	
<i>Operating Income</i>	\$488,259
<b>Adjustments</b>	
Increase (Decrease) in Liabilities:	
Accounts Payable	610
Interfund Payable	(19,821)
Claims Payable	9,219
<i>Total Adjustments</i>	(9,992)
<i>Net Cash Provided by Operating Activities</i>	\$478,267

See accompanying notes to the basic financial statements

**Maple Heights City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2011*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$1,062,291</u></u>
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**Liabilities**

Due to Students	<u><u>\$1,062,291</u></u>
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See accompanying notes to the basic financial statements

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 1 – Description of the School District**

The Maple Heights City School District (the School District) operates under a locally elected five-member Board form of government and provides educational services as authorized by state and federal agencies. The Board controls a staff of 167 non-certificated employees, 256 certificated full-time teaching personnel, and 31 administrative employees to provide services to 3,880 students and other community members. The School District operates 4 elementary schools (K-6), 1 middle school (7-8), and 1 high school (9-12).

The School District was originally part of Bedford Township. In 1924 the first Maple Heights Board of Education was organized. The Clement Elementary School was selected to become the site of the high school. The School District was officially established in 1931 and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District is located in Maple Heights, Ohio, Cuyahoga County and serves an area of approximately 5.5 square miles.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the basic financial statements of the School District are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: 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. The School District has no component units.

The School District participates in two jointly governed organizations, the Northeast Ohio Network for Educational Technology and Ohio Schools Council. These organizations are presented in Note 19 to the basic financial statements.

**Note 2 – Summary of Significant Accounting Policies**

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless these pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

***Fund Accounting***

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

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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The following are the School District's major governmental funds:

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

**Bond Retirement Fund** The bond retirement fund is used to account for and report the accumulation of property tax revenues restricted for the payment of certificates of participation and general obligation bonds issued for building improvements and the construction of a new school building.

**Classroom Facilities Fund** The classroom facilities fund accounts for and reports grants from the Ohio School Facilities Commission restricted for the building and equipping of classroom facilities.

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

**Proprietary Fund Type** Proprietary funds reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The School District only has an internal service fund.

**Internal Service Fund** The internal service fund accounts for and reports the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self insurance fund that accounts for medical benefits of School District employees.

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

**Measurement Focus**

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

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

***Basis of Accounting***

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred 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, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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***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.

***Budgetary Data***

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

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

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

***Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2011, investments were limited to Federal Home Loan Bank Notes, United States Treasury Bonds, Federal Farm Credit Bank Notes, and STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2011.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$11,527, which includes \$8,008 assigned from other School District funds.

The School District utilizes a trustee to hold monies set aside as a Certificate Reserve Fund under the provisions of the debt agreement. The balance in this account is presented on the balance sheet as "restricted assets – cash equivalents held by trustee".

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 reported as cash equivalents.

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of donated food, purchased food and school supplies held for resale, and materials and supplies held for consumption.

***Capital Assets***

All of the School District's capital assets are general capital assets. General capital assets are those assets related to activities reported in the governmental funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 50 years
Furniture and Equipment	3 - 20 years
Vehicles	10 years

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.



**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for all 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 after ten years of current service with the School District.

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

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have resigned or retired will be paid. The non-current portion of the liability is not reported.

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

***Accrued Liabilities and Long-term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, insurance premiums, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes and certificates of participation are recognized as a liability on the fund financial statements when due.

***Fund Balance***

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include community activities, information systems, and telecommunications.

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

***Estimates***

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

***Internal Activity***

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

***Bond Issuance Costs***

Issuance costs for underwriting fees and issuance for the certificates of participation are being amortized using the straight-line method over the life of the obligations in the School District's governmental activities. The straight-line method of amortization is not materially different from the effective-interest method.

As permitted by State statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

***Bond Premiums***

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are receipted in the year the bonds are issued.

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 3 – Changes in Accounting Principles and Restatement of Fund Balance**

***Changes in Accounting Principles***

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District’s financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District’s financial statements.

***Restatement of Prior Year’s Fund Balance***

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance at June 30, 2010	(\$286,363)	\$3,735,103	\$93,035,759	\$897,825	\$97,382,324
Change in Fund Structure	<u>18,789</u>	<u>0</u>	<u>0</u>	<u>(18,789)</u>	<u>0</u>
Adjusted Fund Balance at June 30, 2010	<u><u>(\$267,574)</u></u>	<u><u>\$3,735,103</u></u>	<u><u>\$93,035,759</u></u>	<u><u>\$879,036</u></u>	<u><u>\$97,382,324</u></u>

**Note 4 – Fund Balances**

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

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Fund Balances	General	Bond Retirement	Classroom Facilities	Other Governmental	Total
<u>Restricted for:</u>					
Debt Service	\$0	\$3,189,309	\$0	\$0	\$3,189,309
Capital Projects	0	0	57,566,391	0	57,566,391
Special Education	0	0	0	64,721	64,721
Training and Development	0	0	0	40,375	40,375
Alternative Education	0	0	0	429	429
Food Service	0	0	0	638,888	638,888
Instruction	0	0	0	772,694	772,694
<i>Total Restricted</i>	<u>0</u>	<u>3,189,309</u>	<u>57,566,391</u>	<u>1,517,107</u>	<u>62,272,807</u>
<u>Assigned to:</u>					
Other Purposes	<u>726,106</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>726,106</u>
Unassigned (Deficit)	<u>(1,849,893)</u>	<u>0</u>	<u>0</u>	<u>(250,329)</u>	<u>(2,100,222)</u>
Total Fund Balances	<u><u>(\$1,123,787)</u></u>	<u><u>\$3,189,309</u></u>	<u><u>\$57,566,391</u></u>	<u><u>\$1,266,778</u></u>	<u><u>\$60,898,691</u></u>

**Note 5 – Accountability and Compliance**

***Accountability***

At June 30, 2011, the following funds had deficit fund balances:

Fund	Fund Balance
<b><i>Major Fund:</i></b>	
General	(\$1,123,787)
<b><i>Special Revenue Funds:</i></b>	
Athletics and Music	(59,487)
Public Preschool	(1,765)
Education Jobs	(11,597)
Carl Perkins Grant	(13,347)
Technology Title II-D	(2,548)
Preschool Grant	(16,289)
<b><i>Capital Projects Fund:</i></b>	
Building	(145,296)

The deficits in the special revenue funds are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

The School District is addressing the general fund deficit by reducing expenditures in the next fiscal year as well as keeping better track of grant activities.

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
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**Compliance**

Ohio Rev. Code § 5705.10(H) provides that money paid into a fund must be used only for the purposes for which such fund has been established. A fund with a negative fund balance signifies that monies from other funds were used to meet their obligations. As of June 30, 2011, the athletics and music fund had a negative cash fund balance of \$52,928.

The following funds had expenditures plus encumbrances in excess of appropriations at year end, contrary to Ohio Revised Code Section 5705.41:

	Final Appropriations	Expenditures Plus Encumbrances	Excess
<i>Special Revenue Funds:</i>			
Technology Title II-D	\$264,080	\$286,952	(\$22,872)
Preschool	62,073	72,775	(10,702)

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

**Note 6 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).
4. Investments reported at cost (budget basis) rather than fair value (GAAP basis).
5. Budgetary revenues and expenditures of the public school support fund are reclassified to the general fund for GAAP reporting.

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$856,213)
Net Adjustment for Revenue Accruals	(311,048)
Net Adjustment for Expenditure Accruals	592,213
Ending Fair Value Adjustment for Investments	13,709
Excess of Revenues and Other Financing Sources and Over (Under) Expenditures and Other Financing Uses:	
Public School Support	(2,342)
Adjustments for Encumbrances	<u>(158,483)</u>
Budget Basis	<u><u>(\$722,164)</u></u>

**Note 7 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$36,627,670 of the School District's bank balance of \$48,220,443 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

**Investments**

Investments are reported at fair value. As of June 30, 2011, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-2</u>
Federal Home Loan Bank Notes	\$16,307,100	\$11,238,325	\$5,068,775
United States Treasury Bonds	2,510,850	2,510,850	0
Federal Farm Credit Bank Notes	2,501,780	0	2,501,780
STAR Ohio	1,046,123	1,046,123	0
<b>Total Investments</b>	<b>\$22,365,853</b>	<b>\$14,795,298</b>	<b>\$7,570,555</b>



**Maple Heights City School District**  
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**Interest Rate Risk** The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Banks Notes, United States Treasury Bonds, and Federal Farm Credit Bank Notes are exposed to custodial credit risk in that it is uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Credit Risk** The Federal Home Loan Bank Notes, United States Treasury Bonds, and Federal Farm Credit Bank Notes carry a rating of Aaa by Moody's. STAR Ohio carries a rating of AAA by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2011:

Investment Issuer	Percentage of Investments
Federal Home Loan Bank Notes	72.92 %
United States Treasury Bonds	11.23
Federal Farm Credit Bank Notes	11.19

**Note 8 – Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
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Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes, which are measurable as of June 30, 2011, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$2,395,842 in the general fund, \$20,128 in the classroom facilities maintenance special revenue fund, \$542,123 in the bond retirement fund, and \$40,255 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2010, was \$2,237,180 in the general fund, \$19,289 in the classroom facilities maintenance special revenue fund, \$451,883 in the bond retirement fund, and \$38,577 in the permanent improvement capital projects fund.

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
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The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$393,328,490	97.49 %	\$391,110,970	97.71 %
Public Utility	7,649,710	1.90	7,892,130	1.97
Tangible Personal Property	2,488,407	0.61	1,257,620	0.32
	\$403,466,607	100.00 %	\$400,260,720	100.00 %
Full Tax rate per \$1,000 of assessed valuation	\$71.90		\$74.20	

**Note 9 – Receivables**

Receivables at June 30, 2011, consisted of taxes, accounts (rent, student fees and tuition), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except OSFC monies and delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected in one year.

A summary of the principal items of intergovernmental receivable follows:

Governmental Activities	Amount
Ohio School Facilities Commission	\$2,035,059
Title I Grants	607,424
Miscellaneous Federal Grants	410,381
Education Jobs Grant	189,732
Title VI-B Grants	113,766
Race To The Top Grant	109,264
Technology Title II-D Grants	90,052
Carl Perkins Grant	17,825
Preschool Grants	1,630
Miscellaneous	372
Total Governmental Activities	\$3,575,505

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
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**Note 10 – Contingencies**

***Grants***

The School District received financial assistance from federal and state agencies in the form of grants. 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, 2011.

***Litigation***

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

**Note 11 – Risk Management**

***Property and Liability***

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. During fiscal year 2011, the School District contracted for the following insurance coverage:

Company	Type of Coverage	Coverage Amount
NGM Insurance	Treasurer's Bond	\$250,000
Ohio Casualty	Builder's Risk	100,642,071
	Blanket Property	26,847,493
	General Liability, in aggregate	2,000,000
	General Liability, per occurrence	1,000,000
	Medical Expense, any one person	15,000
	Damage to Rented Premises	300,000
	Uninsured Motorist	500,000
	Blanket Bond	1,000,000
	Aggregate limit on premises	10,000
	Aggregate limit for messenger	10,000
Travelers Insurance	Employee Dishonesty	50,000
	Boiler and Machinery	50,000,000
Western Surety	Business Manager	25,000

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

***Workers' Compensation***

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
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***Self-Insurance***

Medical insurance is offered to employees through a self-insurance internal service fund. The School District's monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. A specific excess loss coverage (stop-loss) insurance policy covers claims in excess of \$85,000 per employee, per year. The claims liability of \$372,459 reported in the internal service fund at June 30, 2011, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

The change in claims activity for the current fiscal year and prior year is as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2010	\$287,352	\$4,339,234	\$4,263,346	\$363,240
2011	363,240	4,203,326	4,194,107	372,459

**Note 12 – Interfund Transactions**

***Interfund Balances***

As of June 30, 2011, the School District had the following interfund balances:

	Interfund Receivable
Interfund Payable	General Fund
<i>Special Revenue Funds:</i>	
Athletics and Music	\$52,928
Education Jobs	66,970
Race To The Top	4,017
Title VI-B	61,097
Carl Perkins Grant	29,675
Technology Title II-D	22,757
Title I	90,428
Preschool Grant	16,289
Miscellaneous Federal Grants	14,087
	\$358,248

The interfund receivable and payables are due to the general fund covering deficit cash balances in these funds.

**Maple Heights City School District**  
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***Interfund Transfers***

Transfers made during the fiscal year ended June 30, 2011, were as follows:

Transfers To	Transfers From General Fund
<b><i>Special Revenue Funds:</i></b>	
Ohio Reads Grant	\$645
Poverty Based Assistance	355
Technology Title II-D	55
Title I	4,964
Drug Free Grant	22
Miscellaneous Federal Grants	37,268
<b>Total</b>	<b>\$43,309</b>

The transfers are to move unrestricted balances to support programs and projects accounted for in other funds.

**Note 13 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$1,220,608	\$0	\$0	\$1,220,608
Construction in Progress	9,404,123	42,937,914	0	52,342,037
<b>Total Capital Assets, not being depreciated</b>	<b>10,624,731</b>	<b>42,937,914</b>	<b>0</b>	<b>53,562,645</b>
<b><i>Capital Assets, being depreciated:</i></b>				
Buildings and Improvements	19,430,175	0	0	19,430,175
Furniture and Equipment	1,941,901	175,616	0	2,117,517
Vehicles	1,764,111	0	0	1,764,111
<b>Total Capital Assets, being depreciated</b>	<b>23,136,187</b>	<b>175,616</b>	<b>0</b>	<b>23,311,803</b>
Less Accumulated Depreciation:				
Buildings and Improvements	(8,284,721)	(353,054)	0	(8,637,775)
Furniture and Equipment	(1,465,935)	(54,645)	0	(1,520,580)
Vehicles	(1,259,686)	(137,520)	0	(1,397,206)
<b>Total Accumulated Depreciation</b>	<b>(11,010,342)</b>	<b>(545,219) *</b>	<b>0</b>	<b>(11,555,561)</b>
<b>Total Capital Assets, being depreciated, net</b>	<b>12,125,845</b>	<b>(369,603)</b>	<b>0</b>	<b>11,756,242</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$22,750,576</b>	<b>\$42,568,311</b>	<b>\$0</b>	<b>\$65,318,887</b>

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
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\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$144,437
Support Services:	
Instructional Staff	14,746
Board of Education	2,988
Administration	7,234
Business	35,282
Operation and Maintenance of Plant	44,040
Pupil Transportation	115,529
Extracurricular Activities	169,200
Food Service Operations	11,763
Total Depreciation Expense	<u>\$545,219</u>

#### **Note 14 – Defined Benefit Pension Plans**

##### ***School Employees Retirement System***

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$656,951, \$814,127, and \$598,527, respectively. For fiscal year 2011, 45.33 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
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***State Teachers Retirement System***

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$2,345,770 and \$47,520 for the fiscal year ended June 30, 2011, \$2,318,922 and \$47,200 for the fiscal year ended June 30, 2010, and \$2,227,780 and \$46,880 for the fiscal year ended June 30, 2009. For fiscal year 2011, 79.67 percent has been contributed for the DB plan and 79.67 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2011 were \$38,251 made by the School District and \$27,322 made by the plan members. In addition, member contributions of \$33,943 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.



**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
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**Note 15 – Postemployment Benefits**

***School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$110,169.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$189,715, \$159,807, and \$409,686, respectively. For fiscal year 2011, 45.33 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$42,276, \$48,414, and \$49,383, respectively. For fiscal year 2011, 45.33 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

***State Teachers Retirement System***

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$184,099, \$182,009, and \$174,974, respectively. For fiscal year 2011, 79.67 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**Note 16 – Employee Benefits**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 270 days for all certified and 180 days for classified personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 90 days for certified personnel and 60 days for classified personnel.

**Note 17 – Short-Term Obligations**

The School District’s note activity, including amount outstanding and interest rate, is as follows:

	Outstanding 6/30/10	Additions	Deletions	Outstanding 6/30/11
<b>Capital Projects Fund - Building</b>				
2010 Energy Conservation Notes 1.125%	\$2,811,000	\$0	(\$2,811,000)	\$0
2011 Energy Conservation Notes 1.25%	0	2,711,000	0	2,711,000
Total Notes	\$2,811,000	\$2,711,000	(\$2,811,000)	\$2,711,000

All of the notes are backed by the full faith and credit of the School District and mature within one year. The note liability is reflected in the building capital projects fund which received the proceeds of the original notes.

The 2011 energy conservation bond anticipation notes were issued to refinance 2010 energy conservation notes. Originally these notes were issued to replace heating systems at Dunham and Raymond Elementary Schools, lighting systems and steam traps in all School District buildings and exterior windows at Rockside Elementary.

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

**Note 18 – Long-Term Obligations**

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

	Amount Outstanding 6/30/10	Additions	Reductions	Amount Outstanding 6/30/11	Amount Due in One Year
<b><i>Certificates of Participation:</i></b>					
2008 Certificates of Participation	\$3,265,000	\$0	(\$100,000)	\$3,165,000	\$100,000
Premium	87,465	0	(4,603)	82,862	0
<i>Total Certificates of Participation</i>	<u>3,352,465</u>	<u>0</u>	<u>(104,603)</u>	<u>3,247,862</u>	<u>100,000</u>
<b><i>General Obligation Bonds:</i></b>					
2010 School Facilities Improvement					
Serial Bonds	53,690,000	0	(680,000)	53,010,000	695,000
Premium	4,309,858	0	(159,624)	4,150,234	0
Capital Appreciation Bonds	2,044,932	0	0	2,044,932	0
Accretion	291,932	516,198	0	808,130	0
<i>Total General Obligation Bonds</i>	<u>60,336,722</u>	<u>516,198</u>	<u>(839,624)</u>	<u>60,013,296</u>	<u>695,000</u>
<b><i>Other Long-term Obligation:</i></b>					
Compensated Absences	2,150,808	163,780	(99,490)	2,215,098	144,848
<i>Total Governmental Activities</i>					
Long-Term Liabilities	<u>\$65,839,995</u>	<u>\$679,978</u>	<u>(\$1,043,717)</u>	<u>\$65,476,256</u>	<u>\$939,848</u>

The School District issued \$3,300,000 in Certificates of Participation on June 30, 2008 for the purpose of renovating the Wylie Athletic Complex. The certificates were issued for a twenty year period with a final maturity on November 1, 2028. The certificates will be paid from the building capital projects fund and were issued at a premium of \$96,671. The final debt payment on the certificates of participation is being held by the trustee in a certificate reserve fund.

The 2010 school facilities improvement general obligation bonds were issued to retire the school facilities improvement notes, which were originally issued for the construction of new elementary, middle, and high school buildings in the School District. These bonds include serial and capital appreciation bonds in the amount of \$53,690,000 and \$2,044,932, respectively. The bonds will be paid from the classroom facilities capital projects fund. The bonds will mature on July 15, 2037.

Interest on the capital appreciation bonds will be accreted annually until the point of maturity of the capital appreciation bonds, which is 2013 through 2020. The final maturity amount of outstanding capital appreciation bonds at June 30, 2011, is \$8,640,000. The accretion recorded for 2011 was \$516,198, for a total outstanding bond liability of \$2,853,062.

Compensated absences will be paid from the general fund and the food service, Title VI-B, and Title I special revenue funds.

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The School District's overall debt margin was \$35,910,279 with an unvoted debt margin of \$399,003 at June 30, 2011. Principal and interest requirements to retire the debt outstanding at June 30, 2011 are as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Accretion
2012	\$695,000	\$2,579,438	\$0	\$0
2013	0	2,565,538	589,957	215,043
2014	0	2,557,538	311,296	528,704
2015	0	2,557,538	256,209	618,791
2016	0	2,557,538	226,723	753,277
2017-2021	1,510,000	12,787,690	660,747	4,479,253
2022-2026	9,890,000	11,702,725	0	0
2027-2031	14,670,000	8,876,500	0	0
2032-2036	21,055,000	4,600,750	0	0
2037-2038	5,190,000	259,500	0	0
<b>Totals</b>	<b>\$53,010,000</b>	<b>\$51,044,755</b>	<b>\$2,044,932</b>	<b>\$6,595,068</b>

Fiscal Year Ending	Certificates of Participation	
	Principal	Interest
2012	\$100,000	\$173,500
2013	105,000	168,888
2014	110,000	164,187
2015	115,000	159,406
2016	120,000	154,337
2017-2021	685,000	678,056
2022-2026	905,000	449,850
2027-2029	1,025,000	114,150
<b>Totals</b>	<b>\$3,165,000</b>	<b>\$2,062,374</b>

**Note 19 – Jointly Governed Organizations**

*Northeast Ohio Network for Educational Technology*

The Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Information Technology Center (ITC) used by the School District. NEONET is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs NEONET. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. Payments to NEONET are

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made from the general fund. The School District made no contributions to NEONET in fiscal year 2011. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center, who serves as the fiscal agent, at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

***Ohio Schools Council***

The Ohio Schools Council (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2011, the School District paid \$89,170 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director at the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 143 participants in the program including the South Euclid-Lyndhurst City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The School District also participates in the Council's current electric purchase program. In September/October 2009, 110 school districts joined a new OSC electricity discount program, Energy for Education III. The Energy for Education III Program provides a fixed price rate for electricity supplied by Duke Retail Energy Sales, Inc. of \$0.051 per kwh for the generation of electricity which cannot be increased until June 2011 meter reading. School districts are not charged a fee by OSC to participate in this program. School districts pay the utility (Ohio Edison, Toledo Edison or Cleveland Electric Illuminating Co.) directly and receive a discount for the fixed price of generation.

**Note 20 – Set-Asides**

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

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

	Capital Improvements	Textbooks and Instructional Material
Set-Aside Reserve Balance as of June 30, 2010	\$0	(\$3,077,214)
Current Year Set-Aside Requirement	557,343	557,343
Offsets During the Fiscal Year	(212,147)	0
Qualifying Disbursements	(407,038)	(587,898)
Totals	(\$61,842)	(\$3,107,769)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0	\$0
Set-Aside Reserve Balance as of June 30, 2011	\$0	\$0

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not presented as being carried forward to future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

**Note 21 – Contractual Commitments**

At June 30, 2011, the School District had the following outstanding contractual commitments for the new school buildings:

Contractor	Contract Amount Outstanding
Giambrone Construction and Masonry	\$12,789,522
Zenith Systems	4,972,607
Castle Heating and Air	4,769,917
Marous Brothers Construction	1,957,972
Platform Cement	1,881,070
Soehnlén Piping Company	1,180,005
The Albert M. Higley Company	862,856
SoundCom Systems	554,784
E. B. Katz Company	537,220
R. M. Riggle Enterprises, LLC	347,076
C&T Design	334,955
Reliance Mechanical, LLC	323,994
The John F. Gallagher Company	314,114
Stafford Smith	209,892

*(continued)*

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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<u>Contractor</u>	<u>Contract Amount Outstanding</u>
Breckenridge Kitchen	\$192,769
Harris Masonry	135,286
Crowe Enterprise	128,429
CRS Metalworx	121,019
Petty Group, LLC	58,166
Absolute Fire	49,466
Gateway	42,122
Mr. Excavator, Incorporated	37,967
Signal Service	37,293
Simplex Grinnell	35,153
Cleveland Environmental	28,355
Ohio Floor	20,750
ABC Piping	19,463
Ameri-Seal, Incorporated	2,264
Total	<u><u>\$31,944,486</u></u>

**Note 22 – Subsequent Events**

The School District opened up a new middle school (Milkovich, grades 6-8) and a new elementary school (Abraham Lincoln, Pre-K-1) in August, 2011.

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**MAPLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
National School Lunch Program	10.555	\$924,429	\$924,429
National School Breakfast Program	10.553	355,955	355,955
Total Child Nutrition Cluster		<u>1,280,384</u>	<u>1,280,384</u>
Lunch Equipment	10.579	22,500	22,500
Fresh Fruit and Vegetable Program	10.582	19,899	19,899
Total U.S. Department of Agriculture		<u>1,322,783</u>	<u>1,322,783</u>
<b>U. S. DEPARTMENT OF EDUCATION</b>			
<i>Direct Assistance:</i>			
Smaller Learning Communities	84.215L	24,627	24,627
<i>Passed Through Ohio Department of Education:</i>			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	1,410,993	1,135,283
ARRA - Title I Grants to Local Educational Agencies	84.389	354,604	445,869
Total Title I, Part A Cluster		<u>1,765,597</u>	<u>1,581,152</u>
Special Education Cluster:			
Special Education Grants to States	84.027	899,084	891,067
ARRA - Special Education Grants to States	84.391	502,557	387,012
Special Education Preschool Grants	84.173	46,034	58,032
ARRA - Special Education - Preschool Grants	84.392	18,435	14,232
Total Special Education Cluster		<u>1,466,110</u>	<u>1,350,343</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	1,152	353
21st Century Community Learning Centers	84.287	365,697	338,487
Education Technology Cluster:			
Educational Technology State Grants	84.318	13,184	22,404
ARRA - Title IID	84.386	181,051	201,831
Total Education Technology Cluster		<u>194,235</u>	<u>224,235</u>
Improving Teacher Quality State Grants	84.367	13,814	127,714

**(Continued)**

**MAPLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U. S. DEPARTMENT OF EDUCATION (continued)</b>			
<i>Passed Through Ohio Department of Education (continued):</i>			
Race to the Top	84.395	\$41,371	\$45,388
Education Jobs	84.410	729,199	796,169
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	1,315,523	1,411,774
Total Pass Through Ohio Department of Education		<u>5,892,698</u>	<u>5,875,615</u>
<i>Passed Through Bedford City School District:</i>			
Career and Technical Education - Basic Grants to States	84.048	<u>39,611</u>	<u>36,769</u>
Total U.S. Department of Education		<u>5,956,936</u>	<u>5,937,011</u>
Total Federal Assistance		<u><u>\$7,279,719</u></u>	<u><u>\$7,259,794</u></u>

See the notes to the Federal Awards Receipts and Expenditures Schedule

**MAPLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Maple Heights City School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Maple Heights City School District  
Cuyahoga County  
14605 Granger Road  
Maple Heights, Ohio 44137

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Maple Heights City School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 16, 2012, wherein we noted the District adopted the provisions of Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

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### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated April 16, 2012.

We intend this report solely for the information and use of management, audit committee, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

April 16, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Maple Heights City School District  
Cuyahoga County  
14605 Granger Road  
Maple Heights, Ohio 44137

To the Board of Education:

### Compliance

We have audited the compliance of Maple Heights City School District, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Maple Heights City School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Maple Heights City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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**Internal Control Over Compliance (Continued)**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated April 16, 2012.

We intend this report solely for the information and use of management, audit committee, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

April 16, 2012



**MAPLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA# 84.394 – ARRA State Fiscal Stabilization Fund Title I, Part A Cluster: CFDA# 84.010 – Title I, Grants to Local Educational Agencies; CFDA# 84.389 - ARRA, Title I, Grants to Local Educational Agencies Special Education Cluster: CFDA# 84.027 – Special Education Grants to States; CFDA# 84.391 – ARRA, Special Education Grants to States; CFDA# 84.173 – Special Education Preschool Grants; CFDA# 84.392 – ARRA, Special Education Preschool Grants Technology: CFDA# 84.318 – Educational Technology State Grants; CFDA# 84.386 – ARRA, Title IID, CFDA# 84.410 – Education Jobs
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**MAPLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**None**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None**

**MAPLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-01	Expenditures plus encumbrances exceeding appropriations	No	Partially corrected. The number and values are significantly less. Repeated in the Management Letter.
2010-02	Finding for adjustment - Transfers	No	Partially Corrected. One transfer involved which was an immaterial amount . Repeated in the Management Letter.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Maple Heights City School District  
Cuyahoga County  
14605 Granger Road  
Maple Heights, Ohio 44137

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Maple Heights City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on June 14, 2010, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

This report is intended solely for the information and use of the Board 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 "Dave Yost".

**Dave Yost**  
Auditor of State

April 16, 2012

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# Dave Yost • Auditor of State

MAPLE HEIGHTS CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 10, 2012