



MAPLE HEIGHTS CITY SCHOOL DISTRICT CUYAHOGA COUNTY JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Maple Heights City School District Cuyahoga County 5740 Lawn Avenue Maple Heights, Ohio 44137

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Maple Heights City School District Cuyahoga County Independent Auditor's Report Page 2

Opinion

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 Maple Heights City School District, Cuyahoga County, Ohio, as of June 30 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule 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, the Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maple Heights City School District Cuyahoga County Independent Auditor's Report Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost Auditor of State

Columbus, Ohio

February 27, 2017

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

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, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the 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 2016 are as follows:

- Total net position increased by over \$5.3 million. Total liabilities decreased by \$1.2 million while total assets increased by \$0.8 million. The increase in assets for fiscal year 2016 was primarily due to an increase in cash and cash equivalents resulting from revenues outpacing expenditures for the fiscal year. The decrease in liabilities was primarily due to a decrease in current and other liabilities, mainly a decrease in contracts payable that resulted from the completion of construction projects during fiscal year 2016.
- Total revenue increased from \$48.0 million in fiscal year 2015 to \$51.3 million in fiscal year 2016. The increase in revenue was due primarily to receiving more in grants and entitlements not restricted to specific programs, which increased by \$1.0 million from the prior fiscal year. This was mainly due to increases in State foundation funding.

During fiscal year 2016, the School District was self insured for medical insurance benefits provided to School District employees. In the past, the School District 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-digit percentage increases of employee benefits, the School District became self insured in fiscal year 2008 for purposes of cost containment. In addition, the School District has purchased stop loss insurance. The School District has also established an active Health Care Committee that will review any health insurance increases to the School District exceeding five percent and will discuss ways to offset those costs by either changing the benefits or increasing employee contributions.

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 position and the 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, the building capital projects fund, and the classroom facilities capital projects fund are also major funds.

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

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2016. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that position. This change in net position 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 position 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 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 position 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.

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2016 compared to fiscal year 2015:

Table 1
Net Position
Governmental Activities

	2016	Restated 2015	Change
Assets	* * * * * * * * * *		** 044 0 * 0
Current and Other Assets	\$40,207,386	\$36,395,566	\$3,811,820
Capital Assets, Net	97,861,145	100,884,271	(3,023,126)
Total Assets	138,068,531	137,279,837	788,694
Deferred Outflows of Resources			
Deferred Charge on Refunding	2,575,507	2,715,109	(139,602)
Pension	4,888,239	3,171,727	1,716,512
Total Deferred Outflows of Resources	7,463,746	5,886,836	1,576,910
Liabilities			
Current and Other Liabilities	6,577,282	8,538,081	1,960,799
Long-Term Liabilities:			
Due Within One Year	1,857,343	1,677,280	(180,063)
Due in More than One Year:			
Net Pension Liability	49,767,078	48,044,135	(1,722,943)
Other Amounts	65,076,871	66,176,829	1,099,958
Total Liabilities	123,278,574	124,436,325	1,157,751
Deferred Inflows of Resources			
Property Taxes	11,604,473	11,944,582	340,109
Pension	7,160,422	8,688,024	1,527,602
Total Deferred Inflows of Resources	18,764,895	20,632,606	1,867,711
Net Position			
Net Investment in Capital Assets	37,535,587	39,492,188	(1,956,601)
Restricted:			
Capital Projects	4,003,383	2,594,712	1,408,671
Debt Service	3,289,418	2,623,359	666,059
Other Purposes	2,621,638	2,328,008	293,630
Unrestricted (Deficit)	(43,961,218)	(48,940,525)	4,979,307
Total Net Position	\$3,488,808	(\$1,902,258)	\$5,391,066

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

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

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

Total assets increased \$0.8 million from the prior fiscal year due to the increase in cash and cash equivalents. The increase in cash and cash equivalents is due to revenues outpacing expenditures during the fiscal year. Total liabilities for governmental activities decreased by about \$1.2 million from the prior fiscal year, primarily due to decreases in current and other liabilities and other amounts due in more than one year, despite the increase in the net pension liability. The decrease in current and other liabilities was

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

primarily due to a decrease in contracts payable resulting from the completion of construction projects during fiscal year 2016. Other amounts due in more than one year decreased as the School District continued to pay down the outstanding debt. These factors, along with changes in deferred outflows and deferred inflows, led to a total increase in net position of over \$5.3 million.

Table 2 shows the change in net position for fiscal year 2016 compared to fiscal year 2015.

Table 2Change in Net Position

		Restated	
	2016	2015	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$465,753	\$630,830	(\$165,077)
Operating Grants and Contributions	8,626,722	7,909,339	717,383
Total Program Revenues	9,092,475	8,540,169	552,306
General Revenues:			
Property Taxes	17,300,080	16,654,999	645,081
Grants and Entitlements not			
Restricted to Specific Programs	23,218,270	22,207,857	1,010,413
Investment Earnings	34,394	17,349	17,045
Unrestricted Contributions and Donations	4,377	3,305	1,072
Miscellaneous	1,656,173	605,202	1,050,971
Total General Revenues	42,213,294	39,488,712	2,724,582
Total Revenues	51,305,769	48,028,881	3,276,888
Program Expenses			
Instruction	28,099,038	27,204,456	(894,582)
Support Services:			
Pupil and Instructional Staff	3,265,165	3,321,036	55,871
Board of Education, Administration			
Fiscal and Business	5,549,975	5,631,056	81,081
Operation and Maintenance of Plant	3,734,941	3,576,889	(158,052)
Pupil Transportation	1,280,426	1,065,591	(214,835)
Central	14,410	10,734	(3,676)
Operation of Non-Instructional Services	17,730	17,888	158
Extracurricular Activities	944,051	873,044	(71,007)
Food Services Operations	1,805,908	1,751,361	(54,547)
Interest and Fiscal Charges	2,103,059	2,760,900	657,841
Total Program Expenses	46,814,703	46,212,955	(601,748)
Special Item - Settlement	900,000	0	900,000
Change in Net Position	5,391,066	1,815,926	3,575,140
Net Position Beginning of Year -			
Restated (See Note 3)	(1,902,258)	(3,718,184)	1,815,926
Net Position End of Year	\$3,488,808	(\$1,902,258)	\$5,391,066

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

In fiscal year 2016, total revenue increased for governmental activities from \$48.0 million to \$51.3 million, with increases in both program and general revenues. The vast majority of revenue supporting governmental activities is general revenue. General revenue increased from \$39.5 million in fiscal year 2015 to nearly \$42.2 million in fiscal year 2016. The primary source of the increase was in grants and entitlements not restricted to specific programs. General revenue comprised 82.28 percent of total revenue.

Property taxes made up 33.72 percent of total revenues for governmental activities for the School District in fiscal year 2016. Overall, property tax revenue increased by nearly \$0.7 million on a GAAP basis due to higher delinquents owed to the School District, although actual property tax revenue remained comparable to fiscal year 2015 on a cash basis, which is the basis used for the School District's day-to-day operations.

Program expenses increased from \$46.2 million in fiscal year 2015 to \$46.8 million in fiscal year 2016. The major program expense for governmental activities, as expected, is for instruction. Instructional costs were \$0.9 million higher than the prior fiscal year primarily due to increases in purchased services for students attending charter schools. When combined with pupil and instructional staff support, these categories make up nearly 67 percent of expenses.

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 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Instruction	\$28,099,038	(\$21,896,673)	\$27,204,456	(\$21,407,381)
Support Services:				
Pupil and Instructional Staff	3,265,165	(2,985,734)	3,321,036	(3,205,534)
Board of Education, Administration				
Fiscal and Business	5,549,975	(5,255,443)	5,631,056	(5,522,881)
Operation and Maintenance of Plant	3,734,941	(3,699,329)	3,576,889	(3,531,303)
Pupil Transportation	1,280,426	(1,154,731)	1,065,591	(909,079)
Central	14,410	(14,107)	10,734	(10,623)
Operation of Non-Instructional Services	17,730	(2,415)	17,888	(16,106)
Extracurricular Activities	944,051	(810,349)	873,044	(713,564)
Food Service Operations	1,805,908	199,612	1,751,361	404,585
Interest and Fiscal Charges	2,103,059	(2,103,059)	2,760,900	(2,760,900)
Total	\$46,814,703	(\$37,722,228)	\$46,212,955	(\$37,672,786)

Both the total cost of services and net cost of services increased from the prior fiscal year. As one can see, the vast majority of program expenses are not covered by program revenues. Instead, the reliance upon general revenues, including property tax revenues and grants and entitlements not restricted to specific programs, is crucial.

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

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 an increase in fund balance for all major funds. All governmental funds had total revenues of \$51.4 million and expenditures of \$47.0 million. The net change in fund balance for the year was most significant in the general fund, where the fund balance went from \$2.0 million in fiscal year 2015 to \$4.2 million in fiscal year 2016. The main reason for this increase was due to the increase in intergovernmental revenue.

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 2016, 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 revenues were \$37,262,401, above the original budget estimate of \$36,811,130, and below actual revenues of \$39,677,843. Actual revenues were \$2,415,442 higher than the final estimate. This was primarily due to intergovernmental and property tax revenues. The final estimated expenditures were \$38,850,992, above the original budgeted expenditures of \$37,920,992, and above actual expenditures of \$38,479,880. Actual expenditures were \$371,112 lower than the final estimate. This was due to lower than expected expenditures across all programs in the general fund.

Total actual revenues on the budget basis were \$1,197,963 above expenditures (cash outlays plus encumbrances). After other financing sources and uses are included, the net change in fund balance was an increase of \$1,175,246.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2016 balances compared to fiscal year 2015. More detailed information is presented in Note 9 to the basic financial statements.

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

2016	2015
\$5,460,268	\$5,460,268
1,077,594	1,069,076
89,761,781	92,840,859
1,336,457	1,282,763
225,045	231,305
\$97,861,145	\$100,884,271
	\$5,460,268 1,077,594 89,761,781 1,336,457 225,045

The decrease in capital assets is due to the additions being exceeded by depreciation.

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

Debt Administration

Table 5 summarizes the debt outstanding for fiscal years 2016 and 2015. More detailed information is presented in Notes 14 and 15 to the basic financial statements.

Table 5
Outstanding Debt at June 30
Governmental Activities

	2016	Restated 2015
Certificates of Participation:		
2008 Certificates of Participation	\$2,674,847	\$2,799,450
General Obligation Bonds:		
2010 School Facilities Improvement Bonds	3,761,862	4,100,812
2013 School Facilities Refunding Bonds	9,376,577	9,592,633
2014 School Facilities Refunding Bonds	9,834,065	10,004,000
2015 School Facilities Refunding Bonds	38,482,349	38,662,122
Short-Term Notes:		
Energy Conservation Notes	2,211,000	2,311,000
Total	\$66,340,700	\$67,470,017

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.

The 2013 school facilities refunding bonds, the 2014 school facilities refunding bonds, and the 2015 school facilities refunding bonds were issued to refund portions of the 2010 school facilities improvement general obligation bonds, which were originally issued to retire the 2009 school facilities improvement note.

The 2016 energy conservation note was issued to refinance the 2015 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, 2016, the School District's overall legal debt margin was \$0 with an unvoted debt margin of \$261,469. The debt is 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.

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

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, and continued stability in the Federal grant area. However, financially the future is not without challenges.

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. 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.

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, 5740 Lawn Avenue, Maple Heights, Ohio 44137; or by e-mail at bob.applebaum@mapleschools.com.

Maple Heights City School District Statement of Net Position

June 30, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$15,352,966
Cash Equivalents Held by Trustee	338,718
Accounts Receivable	7,161
Intergovernmental Receivable	855,470
Accrued Interest Receivable	3,841
Inventory Held for Resale	42,918
Property Taxes Receivable	23,606,312
Nondepreciable Capital Assets	5,460,268
Depreciable Capital Assets, Net	92,400,877
Total Assets	138,068,531
Deferred Outflows of Resources	
Deferred Charge on Refunding	2,575,507
Deferred Outflows - Pension	4,888,239
Total Deferred Outflows of Resources	7,463,746
Liabilities	
Accounts Payable	325,486
Accrued Wages and Benefits	2,308,594
Contracts Payable	94,570
Intergovernmental Payable	626,598
Matured Compensated Absences Payable	1,049
Claims Payable	188,903
Accrued Interest Payable	821,082
Notes Payable	2,211,000
Long-Term Liabilities:	
Due Within One Year	1,857,343
Due in More Than One Year:	40 = 4= 0=0
Net Pension Liability	49,767,078
Other Amounts	65,076,871
Total Liabilities	123,278,574
Deferred Inflows of Resources	
Property Taxes	11,604,473
Deferred Inflows - Pension	7,160,422
Total Deferred Inflows of Resources	18,764,895
Net Position	
Net Investment in Capital Assets	37,535,587
Restricted for:	
Capital Projects	4,003,383
Debt Service	3,289,418
Food Service	992,646
Classroom Maintenance	1,235,102
School Improvement	261,625
Other Purposes	132,265
Unrestricted (Deficit)	(43,961,218)
Total Net Position	\$3,488,808

Statement of Activities For the Fiscal Year Ended June 30, 2016

		Program	Revenues	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Total
Governmental Activities				
Instruction:	\$22,694,431	¢155 020	¢1 960 014	(\$20,679,179)
Regular Special	4,515,439	\$155,238 33,283	\$1,860,014 3,764,219	(\$20,679,179)
Vocational	608,510	4,707	382,700	(221,103)
Student Intervention Services	280,658	2,204	0	(278,454)
Support Services:	200,030	2,204	O .	(270,434)
Pupil	2,233,018	18,462	2,189	(2,212,367)
Instructional Staff	1,032,147	6,146	252,634	(773,367)
Board of Education	68,769	0,140	0	(68,769)
Administration	3,723,168	22,470	258,456	(3,442,242)
Fiscal	1,252,699	9,564	0	(1,243,135)
Business	505,339	4,042	0	(501,297)
Operation and Maintenance of Plant	3,734,941	28,661	6,951	(3,699,329)
Pupil Transportation	1,280,426	10,281	115,414	(1,154,731)
Central	14,410	0	303	(14,107)
Operation of Non-Instructional Services	17,730	0	15,315	(2,415)
Extracurricular Activities	944,051	116,508	17,194	(810,349)
Food Service Operations	1,805,908	54,187	1,951,333	199,612
Interest and Fiscal Charges	2,103,059	0	0	(2,103,059)
Total	\$46,814,703	\$465,753	\$8,626,722	(37,722,228)
	Investment Earning	s nents not Restricted to		13,308,002 159,198 3,236,130 596,750 23,218,270 34,394 4,377 1,656,173
	Total General Reve	nues		42,213,294
	Special Item - Settle			900,000
		nues and Special Item		43,113,294
	Change in Net Posit			5,391,066
	_	ning of Year -Restated	(See Note 3)	(1,902,258)
	Net Position End of	Year		\$3,488,808

Balance Sheet Governmental Funds June 30, 2016

	General	Bond Retirement	Building	Classroom Facilities
Assets				
Equity in Pooled Cash and		*****	****	******
Cash Equivalents	\$3,173,413	\$2,952,501	\$134,562	\$4,003,383
Property Taxes Receivable Accounts Receivable	18,685,009	4,454,901	311,418	0
Intergovernmental Receivable	7,161 30,431	0	0	0
Accrued Interest Receivable	3,841	0	0	0
Interfund Receivable	71,500	0	0	0
Inventory Held for Resale	71,500	0	0	0
Restricted Assets:	Ü	U	O	O
Cash Equivalents Held by Trustee	0	0	338,718	0
Total Assets	\$21,971,355	\$7,407,402	\$784,698	\$4,003,383
Liabilities				
Accounts Payable	\$271,322	\$1.250	\$0	\$0
Accrued Wages and Benefits	2,164,360	0	0	0
Intergovernmental Payable	577,848	0	0	0
Contracts Payable	0	0	94,570	0
Interfund Payable	0	0	0	0
Matured Compensated Absences Payable	0	0	0	0
Accrued Interest Payable	0	0	7,360	0
Notes Payable	0	0	2,211,000	0
Total Liabilities	3,013,530	1,250	2,312,930	0
Deferred Inflows of Resources				
Property Taxes	9,178,549	2,202,712	148,818	0
Unavailable Revenue	5,604,829	1,355,193	98,068	0
Total Deferred Inflows of Resources	14,783,378	3,557,905	246,886	0
Fund Balances				
Restricted	0	3,848,247	0	4,003,383
Assigned	1,486,723	0	0	0
Unassigned (Deficit)	2,687,724	0	(1,775,118)	0
Total Fund Balances (Deficit)	4,174,447	3,848,247	(1,775,118)	4,003,383
Total Liabilities, Deferred Inflows of Resources				
and Fund Balances	\$21,971,355	\$7,407,402	\$784,698	\$4,003,383

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities June 30, 2016

Other	Total	Total Governmental Funds Balances		\$12,719,523
Governmental	Governmental			
Funds	Funds	Amounts reported for governmental activities in the		
		statement of net position are different because:		
		Capital assets used in governmental activities are not financial		
\$2,072,560	\$12,336,419	resources and therefore are not reported in the funds.		97,861,145
154,984	23,606,312	·		
0	7,161	Other long-term assets are not available to pay for current-		
825,039	855,470	period expenditures and therefore are reported as		
0	3,841	unavailable revenue in the funds:	7.106.414	
0	71,500	Delinquent Property Taxes	7,106,414	
42,918	42,918	Intergovernmental	185,772	
0	338,718	Total		7,292,186
\$3,095,501	\$37,262,339	An internal service fund is used by management to charge the costs		
		of insurance to individual funds. The assets and liabilities of the		
		internal service fund are included in the governmental activities		
\$52,914	\$325,486	the statement of net position.		2,827,644
144,234	2,308,594			
48,750	626,598	In the statement of activities, interest is accrued on outstanding		
0	94,570	bonds, whereas in governmental funds, an interest		
71,500	71,500	expenditure is reported when due.		(813,722)
1,049	1,049			
0	7,360	Long-term liabilities are not due and payable in the current period		
0	2,211,000	and therefore are not reported in the funds:		
		Certificates of Participation	(2,615,000)	
318,447	5,646,157	Refunding Bonds	(51,200,000)	
		Capital Appreciation Bonds	(944,509)	
74.204	11 604 472	Accretion	(2,800,597)	
74,394 234,096	11,604,473 7,292,186	Premium on Bonds and Certificates of Participation Discount on Bonds	(7,684,721) 1,115,127	
234,090	7,292,100	Compensated Absences	(2,804,514)	
308,490	18,896,659	Compensated Absences	(2,804,314)	
		Total		(66,934,214)
2,502,589	10,354,219	Deferred charges on refunding related to the issuance of long-term		
0	1,486,723	refunding debt will be amortized over the life of the debt on		
(34,025)	878,581	the statement of net position.		2,575,507
2,468,564	12,719,523	The net pension liability is not due and payable in the current period;		
		therefore, the liability and related deferred inflows/outflows are		
\$3,095,501	\$37,262,339	not reported in governmental funds: Deferred Outflows - Pension	4,888,239	
φ3,073,301	Ψ31,202,337	Deferred Inflows - Pension	(7,160,422)	
		Net Pension Liability	(49,767,078)	
			(12,1.01,010)	
		Total		(52,039,261)

\$3,488,808

Net Position of Governmental Activities

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Bond Retirement	Building	Classroom Facilities
Revenues				
Property Taxes	\$12,918,705	\$3,142,002	\$589,939	\$0
Intergovernmental	26,188,946	487,558	52,615	0
Interest	27,798	0	0	6,596
Charges for Services	7,029	0	0	0
Tuition and Fees	288,029	0	0	0
Extracurricular Activities	72,703	0	0	0
Contributions and Donations	20,333	0	0	0
Miscellaneous	1,112,994	263	0	530,557
Total Revenues	40,636,537	3,629,823	642,554	537,153
Expenditures				
Current:				
Instruction:				
Regular	19,732,687	0	0	0
Special	4,217,327	0	0	0
Vocational	590,526	0	0	0
Student Intervention Services	280,658	0	0	0
Support Services:	2 254 127	0	0	0
Pupil	2,354,137	0	0	0
Instructional Staff Board of Education	770,091 68,769	0	0	0
Administration	2,878,226	0	0	0
Fiscal	1,209,093	57,368	8,290	0
Business	509,166	0	0,270	0
Operation and Maintenance of Plant	3,628,628	0	2,750	0
Pupil Transportation	1,308,912	0	0	0
Central	14,126	0	0	0
Operation of Non-Instructional Services	2,827	0	0	0
Extracurricular Activities	612,470	0	0	0
Food Service Operations	0	0	0	0
Capital Outlay	20,610	0	99,132	28,278
Debt Service:				
Principal Retirement	0	676,723	120,000	0
Interest and Fiscal Charges	0	1,553,215	184,111	0
Capital Appreciation Bonds Interest	0	753,277	0	0
Total Expenditures	38,198,253	3,040,583	414,283	28,278
Excess of Revenues Over Expenditures	2,438,284	589,240	228,271	508,875
Other Financing Sources (Uses)				
Transfers In	0	0	204	0
Transfers Out	(275,000)	0	0	(204)
Total Other Financing Sources (Uses)	(275,000)	0	204	(204)
Special Item - Settlement	0	0	0	900,000
Net Change in Fund Balances	2,163,284	589,240	228,475	1,408,671
Fund Balances (Deficit) Beginning of Year	2,011,163	3,259,007	(2,003,593)	2,594,712
Fund Balances (Deficit) End of Year	\$4,174,447	\$3,848,247	(\$1,775,118)	\$4,003,383

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016

Other	Total	Net Change in Fund Balances -Total Governmental Funds	\$5,345,392
Governmental	Governmental		
Funds	Funds	Amounts reported for governmental activities in the statement of activities are different because:	
\$155,841	\$16,806,487	Governmental funds report capital outlays as expenditures. However, in	
5,704,659	32,433,778	the statement of activities, the cost of those assets is allocated over	
0	34,394	their estimated useful lives as depreciation expense. This is the amount	
54,187	61,216	by which depreciation exceeded capital outlay in the current period:	
0	288,029	Capital Outlay 355,970	
43,805	116,508	Current Year Depreciation (3,379,096)	
98	20,431		
12,359	1,656,173	Total	(3,023,126)
5,970,949	51,417,016	Revenues in the statement of activities that do not provide current financial	
		resources are not reported as revenues in the funds:	
		Delinquent Property Taxes 493,593	
		Intergovernmental (604,840)	
1,906,442	21,639,129	Total	(111,247)
691,062	4,908,389		
68,692	659,218	Repayment of principal and capital appreciation bonds interest	
0	280,658	are expenditures in the governmental funds, but the repayments	
		reduce long-term liabilities in the statement of net position:	
1,773	2,355,910	Principal Retirement 796,723	
266,751	1,036,842	Capital Appreciation Bonds Interest 753,277	
0	68,769		
259,938	3,138,164	Total	1,550,000
0	1,274,751		
0	509,166	Some expenses reported in the statement of activities do not	
145,657	3,777,035	require the use of current financial resources and therefore	
0	1,308,912	are not reported as expenditures in governmental funds:	
284	14,410	Accrued Interest 294,552	
14,903	17,730	Annual Accretion (979,488)	
173,725	786,195	Amortization of Premium 514,405	
1,761,000	1,761,000	Amortization of Discount (55,600)	
0	148,020	Amortization of Deferred Charge (139,602)	
0	796,723	Total	(365,733)
0	1,737,326		
0	753,277	Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and	
5,290,227	46,971,624	therefore are not reported as expenditures in governmental funds.	(109,422)
680,722	4,445,392	The internal service fund used by management to charge the cost	
000,722	4,443,372	of insurance is included in the statement of activities and not	
		on the governmental fund statement of revenues and expenditures.	584,031
275,000	275,204	on the governmental fund statement of revenues and expenditures.	304,031
0	(275,204)	Contractually required contributions are reported as expenditures in	
	(273,204)	governmental funds; however, the statement of net position reports	
275,000	0	these amounts as deferred outflows.	2,889,473
275,000		these amounts as deferred outflows.	2,007,473
0	900,000	Except for amounts reported as deferred inflows/outflows, changes in the	
	· · · · · · · · · · · · · · · · · · ·	net pension liability are reported as pension expense in the statement	
955,722	5,345,392	of activities.	(1,368,302)
1,512,842	7,374,131	Change in Net Position of Governmental Activities	\$5,391,066
1,512,042	1,314,131	Change in the Losation of Governmental Activities	ψυ,υν1,000
\$2,468,564	\$12,719,523		

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	\$11,398,941	\$11,540,190	\$12,086,039	\$545,849
Intergovernmental	24,167,263	24,463,383	26,195,018	1,731,635
Interest	22,102	22,373	23,957	1,584
Charges for Services	6,485	6,564	7,029	465
Tuition and Fees	266,054	269,314	288,377	19,063
Contributions and Donations	4,038	4,088	4,377	289
Miscellaneous	946,247	956,489	1,073,046	116,557
Total Revenues	36,811,130	37,262,401	39,677,843	2,415,442
Expenditures				
Current:				
Instruction:				
Regular	19,960,280	20,050,538	19,870,970	179,568
Special	3,734,510	4,299,560	4,251,972	47,588
Vocational	835,544	687,561	681,495	6,066
Student Intervention Services	122,861	283,155	280,658	2,497
Support Services:	2 402 700	2.250.226	2 220 515	20.011
Pupil	2,493,709	2,359,326	2,338,515	20,811
Instructional Staff Board of Education	807,025	820,927	813,716	7,211
Administration	43,439 3,031,761	80,088 3,002,009	69,476 2,975,239	10,612 26,770
Fiscal	971,586	1,226,212	1,217,672	8,540
Business	421,197	512,035	507,520	4,515
Operation and Maintenance of Plant	3,814,277	3,738,933	3,701,841	37,092
Pupil Transportation	1,218,712	1,242,675	1,229,921	12,754
Central	8,882	12,316	10,619	1,697
Operation of Non-Instructional Services	973	2,852	2,827	25
Extracurricular Activities	448,752	512,011	506,829	5,182
Capital Outlay	7,484	20,794	20,610	184
Total Expenditures	37,920,992	38,850,992	38,479,880	371,112
Excess of Revenues Over (Under) Expenditures	(1,109,862)	(1,588,591)	1,197,963	2,786,554
Other Financing Sources (Uses)				
Advances In	323,783	323,783	323,783	0
Advances Out	(71,500)	(71,500)	(71,500)	0
Transfers Out	(426,700)	(426,700)	(275,000)	151,700
Total Other Financing Sources (Uses)	(174,417)	(174,417)	(22,717)	151,700
Net Change in Fund Balance	(1,284,279)	(1,763,008)	1,175,246	2,938,254
Fund Balance Beginning of Year	1,889,205	1,889,205	1,889,205	0
Prior Year Encumbrances Appropriated	19,720	19,720	19,720	0
Fund Balance End of Year	\$624,646	\$145,917	\$3,084,171	\$2,938,254

Statement of Fund Net Position Internal Service Fund June 30, 2016

	Insurance
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,016,547
Liabilities	
Claims Payable	188,903
Net Position	
Unrestricted	\$2,827,644

Statement of Revenues, Expenses and Changes in Fund Net Position Internal Service Fund For the Fiscal Year Ended June 30, 2016

	Insurance
Operating Revenues	
Charges for Services	\$4,429,497
Other	16,302
Total Operating Revenues	4,445,799
Operating Expenses	
Claims	3,858,787
Other	2,981
Total Operating Expenses	3,861,768
Change in Net Position	584,031
Net Position Beginning of Year	2,243,613
Net Position End of Year	\$2,827,644

Statement of Cash Flows Internal Service Fund For the Fiscal Year Ended June 30, 2016

' <u>-</u>
\$4,429,497
16,302
(3,807,738)
(3,226)
634,835
2,381,712
\$3,016,547
\$584,031
(245)
51,049
50,804
\$634,835

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

Assets Equity in Pooled Cash and Cash Equivalents	\$384,444
Liabilities	
Undistributed Monies	\$339,884
Due to Students	44,560
Total Liabilities	\$384,444

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

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 159 non-certificated employees, 225 certificated full-time teaching personnel, and 26 administrative employees to provide services to 3,715 students and other community members. The School District operates 3 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 composed of the primary government, component units and other organizations that are included to ensure 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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. 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 17 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

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

Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The 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 position 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

General Fund The general fund is the operating fund of the School District and is used to account 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.

Building Fund The building fund is used to account for and report restricted property tax revenue used for the building, restoration or improvement of the School District property.

Classroom Facilities Fund The classroom facilities fund is used to account for and report 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 position, 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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are agency funds which report resources that belong to the student bodies of the various schools and retainage related to the construction of School District buildings.

Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e.,

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

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.

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

Revenues – **Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying

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

value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12.)

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.

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

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.

At June 30, 2016, the School District had no investments.

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 2016 amounted to \$27,798, which includes \$21,009 assigned from other School District funds.

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.

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 position 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 acquisition 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

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

Description	Estimated Lives
Land Improvements	20 - 40 years
Buildings and Improvements	10 - 100 years
Furniture and Equipment	5 - 50 years
Vehicles	7 - 30 years

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

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 position.

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.

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 claims and judgments, compensated absences, and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and certificates of participation are recognized as a liability on the fund financial statements when due.

Pensions

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

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

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:

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 includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance for public school support and to cover a gap between estimated revenue and appropriations in the fiscal year 2017 appropriated budget.

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.

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 Position

Net position represents the difference between all other elements in the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include community activities, information systems, and telecommunications.

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

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

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or the laws of other governments, or imposed by law through constitutional provisions. 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".

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.

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 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.

Bond Discounts

On the government-wide financial statements, bond discounts 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 a decrease of the face amount of the bonds payable. On governmental fund statements, bond discounts are financing uses in the year the bonds are issued.

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

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

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.

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 School District and that are either unusual in nature or infrequent in occurrence. In fiscal year 2016, the School District received \$900,000 in an insurance settlement.

Note 3 – Changes in Accounting Principles and Restatement of Net Position

Changes in Accounting Principles

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

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

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

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

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

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

Restatement of Net Position

During fiscal year 2016, it was determined that long-term liabilities had been understated by \$2,204,556 at June 30, 2015.

During fiscal year 2016, it was determined that deferred outflows of resources – deferred charge on refunding had been understated by \$1,504,221 at June 30, 2015.

The corrections to long-term liabilities and deferred outflows of resources – deferred charge on refunding had the following effect on net position as reported June 30, 2015:

Net Position June 30, 2015	(\$1,201,923)
Adjustments:	
Long-Term Liabilities	(2,204,556)
Deferred Outflows - Deferred Charge on Refunding	1,504,221
Restated Net Position June 30, 2015	(\$1,902,258)

Note 4 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund 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. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
- 3. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 4. Budgetary revenues and expenditures of the uniform school supplies and public school support funds are reclassified to the general fund for GAAP reporting.
- 5. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).

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

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	\$2,163,284
Net Adjustment for Revenue Accruals	(866,871)
Advances In	323,783
Net Adjustment for Expenditure Accruals	(311,320)
Advances Out	(71,500)
Perspective Differences:	
Uniform School Supplies	(24)
Public School Support	3,261
Adjustment for Encumbrances	(65,367)
Budget Basis	\$1,175,246

Note 5 – Fund Balances

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

					Other	
		Bond		Classroom	Governmental	
Fund Balances	General	Retirement	Building	Facilities	Funds	Total
Restricted for:						
Debt Service	\$0	\$3,848,247	\$0	\$0	\$0	\$3,848,247
Capital Projects	0	0	0	4,003,383	0	4,003,383
Classroom Maintenance	0	0	0	0	1,204,632	1,204,632
Food Service	0	0	0	0	1,046,767	1,046,767
District Managed Activities	0	0	0	0	23,949	23,949
Public Preschool	0	0	0	0	18,711	18,711
School Improvement	0	0	0	0	122,447	122,447
Other Purposes	0	0	0	0	86,083	86,083
Total Restricted	0	3,848,247	0	4,003,383	2,502,589	10,354,219
Assigned to:						
Purchases on Order:						
Support Services	22,725	0	0	0	0	22,725
Public School Support	22,033	0	0	0	0	22,033
Fiscal Year 2017 Operations	1,441,965	0	0	0	0	1,441,965
Total Assigned	1,486,723	0	0	0	0	1,486,723
Unassigned (Deficit)	2,687,724	0	(1,775,118)	0	(34,025)	878,581
Total Fund Balances (Deficit)	\$4,174,447	\$3,848,247	(\$1,775,118)	\$4,003,383	\$2,468,564	\$12,719,523

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

Note 6 – Accountability

At June 30, 2016, the following funds had deficit fund balances:

Fund	Fund Balance
Special Revenue Funds:	
Other Grants	(\$13,556)
Title VI-B	(20,469)
Capital Projects Fund:	
Building	(1,775,118)

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

The deficit in the building capital projects fund is a result of the issuance of short-term bond anticipation notes, which are used to finance various projects within the School District until bonds are issued.

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

- 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 fiscal year end, \$3,448,978 of the School District's bank balance of \$15,896,229 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department or agent, but not in the School District's name. 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

As of June 30, 2016, the School District had no investments.

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 and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the

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

assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

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

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

The amount available as an advance at June 30, 2016, was \$3,901,631 in the general fund, \$32,266 in the classroom facilities maintenance special revenue fund, \$896,996 in the bond retirement fund, and \$64,532 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2015, was \$3,068,965 in the general fund, \$26,425 in the classroom facilities maintenance special revenue fund, \$742,049 in the bond retirement fund, and \$53,652 in the permanent improvement capital projects fund. The difference is in the timing and collection by the County Fiscal Officer.

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

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

	2015 Second		2016 First	
	Half Colle	ections	Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential				
and Other Real Estate	\$278,576,210	96.43 %	\$250,908,160	95.96 %
Public Utility	10,316,280	3.57	10,561,300	4.04
	\$288,892,490	100.00 %	\$261,469,460	100.00 %
Full Tax Rate per \$1,000 of Assessed Valuation	\$88.2	0	\$88.7	70

During fiscal year 2016, property tax values decreased in the School District. This caused the tax rate to increase so that the emergency levy would meet its collection amount.

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

Note 9 – Capital Assets

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

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
Capital Assets, not being depreciated:				
Land	\$5,460,268	\$0	\$0	\$5,460,268
Capital Assets, being depreciated:				
Land Improvements	1,689,442	41,100	0	1,730,542
Buildings and Improvements	108,030,136	86,438	0	108,116,574
Furniture and Equipment	1,890,385	173,926	0	2,064,311
Vehicles	1,735,287	54,506	0	1,789,793
Total Capital Assets, being depreciated	113,345,250	355,970	0	113,701,220
Less Accumulated Depreciation:				
Land Improvements	(620,366)	(32,582)	0	(652,948)
Buildings and Improvements	(15,189,277)	(3,165,516)	0	(18,354,793)
Furniture and Equipment	(607,622)	(120,232)	0	(727,854)
Vehicles	(1,503,982)	(60,766)	0	(1,564,748)
Total Accumulated Depreciation	(17,921,247)	(3,379,096) *	0	(21,300,343)
Total Capital Assets, being depreciated, net	95,424,003	(3,023,126)	0	92,400,877
Governmental Activities Capital Assets, Net	\$100,884,271	(\$3,023,126)	\$0	\$97,861,145

^{*}Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,302,496
Vocational	9,353
Support Services:	
Instructional Staff	46,791
Administration	739,157
Business	5,144
Operation and Maintenance of Plant	10,744
Pupil Transportation	47,981
Extracurricular Activities	179,241
Food Service Operations	38,189
Total Depreciation Expense	\$3,379,096

Note 10 – Receivables

Receivables at June 30, 2016, consisted of taxes, accounts (miscellaneous), 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 for 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.

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

A summary of the principal items of intergovernmental receivable follows:

Governmental Activities	Amount
Title I Grant	\$375,826
Federal Food Subsidies	203,120
Title VI-B Grant	85,015
Early Childhood Education Grant	71,896
Improving Teacher Quality Grant	65,518
Medicaid Reimbursements	27,606
Title I School Improvement Grant	20,195
Miscellaneous	6,294
Total Governmental Activities	\$855,470

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 2016, the School District contracted for the following insurance coverage:

Company	Type of Coverage	Coverage Amount
NGM Insurance	Treasurer's Bond	\$250,000
Ohio Casualty	Blanket Property	150,596,876
omo cusumy	Business Income/Extra Expense	3,000,000
	Inland Marine	902,408
	Flood	1,000,000
	Earthquake	1,000,000
	Employee Dishonesty	300,000
	Forgery & Alteration	50,000
	Computer Fraud	50,000
	General Liability, limit	1,000,000
	General Liability, aggregate	2,000,000
	Employee Benefits Liability, limit	1,000,000
	Employee Benefits Liability, aggregate	3,000,000
	Employer's Liability, limit	1,000,000
	Employer's Liability, aggregate	2,000,000
	Professional Liability, limit	1,000,000
	Professional Liability, aggregate	1,000,000
	Non-Monetary Relief Defense	100,000
	Sexual Misconduct, limit	1,000,000
	Sexual Misconduct, aggregate	1,000,000
	Innocent Party Defense	300,000
	Law Enforcement, limit	1,000,000
	Law Enforcement, aggregate	1,000,000
	Data Compromise	50,000
	Fleet (Combined Single Limit)	1,000,000
	Fleet (Uninsured Motorist Limit)	500,000
	Umbrella	10,000,000
	Self-Insured Retention	10,000
Travelers Insurance	Boiler and Machinery	50,000,000
	Excess Crime	500,000

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

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

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.

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 \$125,000 per employee, per year. The claims liability of \$188,903 reported in the internal service fund at June 30, 2016, 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:

Fiscal	Balance at	Current Year	Claim	Balance at
Year	Beginning of Year	Claims	Payments	End of Year
2015	\$287,582	\$3,500,064	\$3,649,792	\$137,854
2016	137,854	3,858,787	3,807,738	188,903

Note 12 – Defined Benefit Pension Plans

Net Pension Liability

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

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

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

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

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS'

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

Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$697,663 for fiscal year 2016. Of this amount \$47,362 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with 5 years of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

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

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

The School District's contractually required contribution to STRS was \$2,191,810 for fiscal year 2016. Of this amount \$294,281 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.17436300%	0.16124236%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.16046860%	0.14694241%	
Change in Proportionate Share	-0.01389440%	-0.01429995%	
Proportionate Share of the Net Pension Liability	\$9,156,493	\$40,610,585	\$49,767,078
Pension Expense	\$382,636	\$985,666	\$1,368,302

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

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and			
actual experience	\$147,436	\$1,851,330	\$1,998,766
School District contributions subsequent to the			
measurement date	697,663	2,191,810	2,889,473
Total Deferred Outflows of Resources	\$845,099	\$4,043,140	\$4,888,239
Deferred Inflows of Resources			
Net difference between projected and			
actual earnings on pension plan investments	\$303,385	\$2,920,669	\$3,224,054
Changes in proportionate share and			
difference between School District contributions			
and proportionate share of contributions	618,970	3,317,398	3,936,368
Total Deferred Inflows of Resources	\$922,355	\$6,238,067	\$7,160,422

\$2,889,473 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	(\$307,929)	(\$1,488,448)	(\$1,796,377)
2018	(307,929)	(1,488,448)	(1,796,377)
2019	(308,627)	(1,488,448)	(1,797,075)
2020	149,566	78,607	228,173
Total	(\$774,919)	(\$4,386,737)	(\$5,161,656)

Actuarial Assumptions – SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of

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

each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

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

Wage Inflation
3.25 percent

Future Salary Increases, including inflation
4.00 percent to 22 percent

COLA or Ad Hoc COLA
3 percent

Investment Rate of Return
7.75 percent, net of investments expense, including inflation

Actuarial Cost Method
Entry Age Normal

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

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

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

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

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

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

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

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

	Current		
	1% Decrease	Discount Rate	1% Increase
	(6.75%)	(7.75%)	(8.75%)
School District's proportionate share			
of the net pension liability	\$12,696,767	\$9,156,493	\$6,175,292

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's new pension liability is expected to be significant.

Actuarial Assumptions – STRS

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males' ages are set back two years through age 89 and are not set back for age 90 and above. Females younger than age 80 are set back four years, set back one year from age 80 through 89, and not set back from age 90 and above.

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

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

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

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

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

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

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

	Current		
	1% Decrease	Discount Rate	1% Increase
	(6.75%)	(7.75%)	(8.75%)
School District's proportionate share			
of the net pension liability	\$56,411,165	\$40,610,585	\$27,248,837

Note 13 – Postemployment Benefits

School Employees Retirement System

Health Care Plan Description – The School District contributes to the School Employees Retirement System (SERS) Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined

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

benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$83,520.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$38,294, and \$6,888, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

State Teachers Retirement System

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio 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 which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016, and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$164,463, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

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

Note 14 - Short-Term Obligations

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

	Outstanding 6/30/15	Additions	Deletions	Outstanding 6/30/16
Capital Projects Fund - Building 2015 Energy Conservation Notes 1.25% 2016 Energy Conservation Notes 1.50%	\$2,311,000	\$0 2,211,000	(\$2,311,000)	\$0 2,211,000
Total Notes	\$2,311,000	\$2,211,000	(\$2,311,000)	\$2,211,000

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 2016 energy conservation bond anticipation notes were issued to refinance 2015 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.

Note 15 – Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the School District's long-term debt issuances are as follows:

		Original	Final
Debt Issue	Interest Rate	Issue Amount	Date of Maturity
2008 Certificates of Participation:			
Serial Portion	4.25 - 4.75%	\$1,075,000	November 1, 2018
Term Portion	6.00%	2,225,000	November 1, 2028
2010 School Facilities Improvement:			
Capital Appreciation Bonds	25.00%	1,644,932	January 15, 2020
2013 School Facilities Refunding Bonds:			
Current Interest Serial Bonds	1.50 - 3.00%	6,620,000	January 15, 2033
Current Interest Term Bonds	3.00 - 3.25%	1,555,000	January 15, 2030
Capital Appreciation Bonds	24.00%	49,702	January 15, 2032
2014 School Facilities Refunding Bonds:			
Current Interest Serial Bonds	2.00 - 3.00%	1,650,000	January 15, 2025
Current Interest Term Bonds	3.25 - 3.50%	7,155,000	January 15, 2034
Capital Appreciation Bonds	51.80%	19,972	January 15, 2025
2015 School Facilities Refunding Bonds:			
Current Interest Serial Bonds	2.50 - 5.00%	15,690,000	January 15, 2037
Current Interest Term Bonds	3.50 - 3.75%	19,250,000	January 15, 2036
Capital Appreciation Bonds	51.70%	214,088	January 15, 2023

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

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

	Restated Amount			Amount	Amount
	Outstanding			Outstanding	Due in
	6/30/15	Additions	Reductions	6/30/16	One Year
Certificates of Participation:					
2008 Certificates of Participation					
Serial Portion	\$510,000	\$0	(\$120,000)	\$390,000	\$125,000
Term Portion	2,225,000	0	0	2,225,000	0
Premium	64,450	0	(4,603)	59,847	0
Total Certificates of Participation	2,799,450	0	(124,603)	2,674,847	125,000
General Obligation Bonds:					
2010 School Facilities Improvement	997 470	0	(226 722)	((0.747	105 540
Capital Appreciation Bonds	887,470	795 949	(226,723)	660,747	185,542
Accretion Premium	2,489,353 723,989	785,848 0	(753,277) (144,798)	2,521,924 579,191	829,458 0
Total 2010 School Facilities Improvement	4,100,812	785,848	(1,124,798)	3,761,862	1,015,000
-	4,100,812	765,646	(1,124,796)	3,701,802	1,013,000
2013 School Facilities Refunding Bonds	c 250 000	0	(150,000)	c 200 000	155.000
Serial Portion	6,350,000	0	(150,000)	6,200,000	155,000
Term Portion	1,555,000	0	0	1,555,000	0
Capital Appreciation Bonds Accretion	49,702 39,719	0 22,734	0	49,702 62,453	$0 \\ 0$
Premium	1,598,212	22,734	(88,790)	1,509,422	0
Total 2013 School Facilities Refunding Bonds	9,592,633	22,734	(238,790)	9,376,577	155,000
· ·	7,372,033	22,734	(230,770)	7,310,311	133,000
2014 School Facilities Refunding Bonds	1 (50 000	0	(125,000)	1 525 000	1.40.000
Serial Portion	1,650,000	0	(125,000)	1,525,000	140,000
Term Portion	7,155,000	0	0	7,155,000	0
Capital Appreciation Bonds Accretion	19,972 5,571	0 14,987	0	19,972 20,558	$0 \\ 0$
Premium	1,460,381	14,987	(74,573)	1,385,808	0
Discount	(286,924)	0	14,651	(272,273)	0
Total 2014 School Facilities Refunding Bonds	10,004,000	14,987	(184,922)	9,834,065	140,000
2015 School Facilities Refunding Bonds Serial Portion	15,690,000	0	(175,000)	15,515,000	385,000
Term Portion	19,250,000	0	(173,000)	19,250,000	383,000
Capital Appreciation Bonds	214,088	0	0	214,088	0
Accretion	39,743	155,919	0	195,662	0
Premium	4,352,094	0	(201,641)	4,150,453	0
Discount	(883,803)	0	40,949	(842,854)	0
Total 2015 School Facilities Refunding Bonds	38,662,122	155,919	(335,692)	38,482,349	385,000
Total General Obligation Bonds	62,359,567	979,488	(1,884,202)	61,454,853	1,695,000
Net Pension Liability:					
SERS	8,824,412	332,081	0	9,156,493	0
STRS	39,219,723	1,390,862	0	40,610,585	0
Total Net Pension Liability	48,044,135	1,722,943	0	49,767,078	0
Other Long-Term Obligation:					
Compensated Absences	2,695,092	121,508	(12,086)	2,804,514	37,343
Total Governmental Activities					
Long-Term Liabilities	\$115,898,244	\$2,823,939	(\$2,020,891)	\$116,701,292	\$1,857,343

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

The School District issued \$3,300,000 in Certificates of Participation (COPs) on June 30, 2008 for the purpose of renovating the Wylie Athletic Complex. The COPs issuance included a premium of \$96,671, which will be amortized over the life of the COPs. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be "qualified tax exempt obligations" within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Ohio Governmental Development Leasing Corporation and then subleased back to the School District. The initial lease ends on June 30, 2009. The School District may renew the lease for successive one-year terms, each ending on June 30, except the final lease term, which ends on November 1, 2028. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and annual appropriations. The base rent includes an interest component ranging from 4.25 percent to 6 percent. The School District has the option to purchase the Wylie Athletic Complex on any Lease Payment Date by paying \$100 plus the amount necessary to defease the Indenture.

The term bond portion of the 2008 COPs is subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on November 1 of the years and in the respective principal amounts as follows:

Fiscal Year	Principal Amount to be Redeemed
2020	\$145,000
2021	150,000
2022	160,000
2023	170,000
2024	180,000
2025	190,000
2026	205,000
2027	215,000
2028	230,000

The remaining principal amount of the bonds (\$580,000) will mature at stated maturity in fiscal year 2029, on November 1, 2028.

The 2010 school facilities improvement general obligation bonds were issued in the amount of \$55,734,932 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 included serial, term, and capital appreciation bonds. The bonds will be paid from the bond retirement debt service fund. These bonds were partially refunded in fiscal year 2013 and fiscal year 2015.

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, 2016, is \$5,140,000. The accretion recorded for 2016 was \$785,848, for a total outstanding bond liability of \$3,182,671.

In fiscal year 2013, the School District issued \$8,224,702 in general obligation bonds for the purpose of refunding a portion of the 2010 school facilities improvement bond issue in order to take advantage of lower interest rates. As a result, \$8,315,000 of the 2010 bonds were considered defeased and the liability for the refunded bonds has been removed from the School District's financial statements. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds.

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

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2016, \$8,315,000 of the defeased bonds are still outstanding. The bonds will be paid from the bond retirement debt service fund.

Interest on the capital appreciation bonds will be accreted annually until the point of maturity of the capital appreciation bonds, which is 2013 through 2032. The final maturity amount of outstanding capital appreciation bonds at June 30, 2016, is \$3,540,000. The accretion recorded for fiscal year 2016 was \$22,734, for a total outstanding bond liability of \$112,155.

The term bond portion of the 2013 refunding bonds are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on January 15 of the years and in the respective principal amounts as follows:

		Issu	ie	
Year	\$355,000	\$375,000	\$400,000	\$425,000
2023	\$175,000	\$0	\$0	\$0
2025	0	185,000	0	0
2027	0	0	195,000	0
2029	0	0	0	210,000
Total	\$175,000	\$185,000	\$195,000	\$210,000
Stated Maturity	1/15/2024	1/15/2026	1/15/2028	1/15/2030

The remaining principal amount of the term bonds (\$180,000, \$190,000, \$205,000, and \$215,000) will mature at stated maturity.

The bonds are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any date on or after January 15, 2022, at a redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

On December 30, 2014, the School District issued \$8,824,972 in general obligation bonds for the purpose of refunding a portion of the 2010 school facilities improvement bond issue in order to take advantage of lower interest rates. As a result, \$8,830,000 of the 2010 bonds were considered defeased and the liability for the refunded bonds has been removed from the School District's financial statements. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2016, \$8,830,000 of the defeased bonds are still outstanding. The bonds will be paid from the bond retirement debt service fund.

Interest on the capital appreciation bonds will be accreted annually until the point of maturity of the capital appreciation bonds, which is 2025. The final maturity amount of outstanding capital appreciation bonds at June 30, 2016, is \$2,040,000. The accretion recorded for fiscal year 2016 was \$14,987, for a total outstanding bond liability of \$40,530.

The term bond portion of the 2014 refunding bonds are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on January 15 of the years and in the respective principal amounts as follows:

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

	Issue			
Year	\$3,230,000	\$3,925,000		
2026	\$75,000	\$0		
2027	75,000	0		
2028	80,000	0		
2030	0	30,000		
2031	0	30,000		
2032	0	35,000		
2033	0	35,000		
Total	\$230,000	\$130,000		
Stated Maturity	1/15/2029	1/15/2034		

The remaining principal amount of the term bonds (\$3,000,000 and \$3,795,000) will mature at stated maturity.

The current interest bonds are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any date on or after January 15, 2023, at a redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

On March 11, 2015, the School District issued \$35,154,088 in general obligation bonds for the purpose of refunding a portion of the 2010 school facilities improvement bond issue in order to take advantage of lower interest rates. As a result, \$35,170,000 of the 2010 bonds were considered defeased and the liability for the refunded bonds has been removed from the School District's financial statements. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2016, \$35,170,000 of the defeased bonds are still outstanding. The bonds will be paid from the bond retirement debt service fund.

Interest on the capital appreciation bonds will be accreted annually until the point of maturity of the capital appreciation bonds, which is 2021 through 2023. The final maturity amount of outstanding capital appreciation bonds at June 30, 2016, is \$5,230,000. The accretion recorded for fiscal year 2016 was \$155,919, for a total outstanding bond liability of \$409,750.

The term bond portion of the 2015 refunding bonds are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on January 15 of the years and in the respective principal amounts as follows:

	Issue				
Year	\$6,345,000	\$12,905,000			
2028	\$2,920,000	\$0			
2029	150,000	0			
2031	0	2,755,000			
2032	0	85,000			
2033	0	85,000			
2034	0	565,000			
2035	0	4,595,000			
Total	\$3,070,000	\$8,085,000			
Stated Maturity	1/15/2030	1/15/2036			

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

The remaining principal amount of the term bonds (\$3,275,000 and \$4,820,000) will mature at stated maturity.

The current interest bonds are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any date on or after January 15, 2023, at a redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The School District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the general fund and the food service, public preschool, title VI-B, and title I special revenue funds.

The overall debt margin of the School District as of June 30, 2016, was \$0 with an unvoted debt margin of \$261,469. The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the nine percent limit to finance additional facilities, the State Department of Education may declare that school district a "special needs" school district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district's assessed valuation. The Maple Heights City School District was determined to be a "special needs" school district by the State Superintendent.

Principal and interest requirements to retire the debt outstanding at June 30, 2016, are as follows:

	Certificates of Participation					
Fiscal Year	Ser	ial	Te	rm	Total	
Ending	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$125,000	\$148,900	\$0	\$0	\$125,000	\$148,900
2018	130,000	143,000	0	0	130,000	143,000
2019	135,000	136,706	0	0	135,000	136,706
2020	0	0	145,000	129,150	145,000	129,150
2021	0	0	150,000	120,300	150,000	120,300
2022-2026	0	0	905,000	449,850	905,000	449,850
2027-2029	0	0	1,025,000	114,150	1,025,000	114,150
Total	\$390,000	\$428,606	\$2,225,000	\$813,450	\$2,615,000	\$1,242,056

	General Obligation Bonds						
Fiscal Year	Se	rial	Те	rm	Capital A	Capital Appreciation	
Ending	Principal	Interest	Principal	Interest	Principal	Accretion	
2017	\$680,000	\$1,720,225	\$0	\$0	\$185,542	\$829,458	
2018	705,000	1,701,374	0	0	185,592	1,099,408	
2019	720,000	1,682,625	0	0	159,768	1,240,232	
2020	745,000	1,663,424	0	0	129,845	1,310,155	
2021	1,325,000	1,642,725	0	0	64,298	880,702	
2022-2026	5,980,000	6,715,124	805,000	996,136	169,762	6,155,238	
2027-2031	2,695,000	1,125,400	13,140,000	4,800,526	16,584	993,416	
2032-2036	5,225,000	254,874	14,015,000	3,026,275	33,118	2,496,882	
2037	5,165,000	191,600	0	0	0	0	
Total	\$23,240,000	\$16,697,371	\$27,960,000	\$8,822,937	\$944,509	\$15,005,491	

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

Note 16 – Contingencies

Grants

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

School Foundation

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

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 17 – 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. NEOnet's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the board. 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 made from the general fund. In fiscal year 2016, the School District paid \$107,252 to NEOnet. 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.

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

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 196 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 Council's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. 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 2016, the School District paid \$234,641 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director at the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy served as the natural gas supplier and program manager from October 1, 2010, to March 31, 2013. Compass Energy has also been selected as the supplier and program manager for the period for the period from April 1, 2013, through March 31, 2016. There are currently 151 participants in the program including the Maple Heights 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. The Power 4 Schools Program provides a fixed price rate for electricity supplied by First Energy Solutions of \$0.0602 per kwh for the generation of electricity. There are currently 251 participants in the program including the Maple Heights City School District. 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 18 – Operating Leases

The School District leases a building for various uses and copiers throughout its buildings. Total costs for the leases were \$105,140 for the fiscal year ended June 30, 2016. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending	Building A	Copiers	Total
2017	\$50,000	\$55,140	\$105,140
2018	50,000	18,380	68,380
2019	4,167	0	4,167
Total	\$104,167	\$73,520	\$177,687

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

Note 19 – 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 330 days for all certified and 207 days for classified personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 110 days for certified personnel and 68.31 days for classified personnel.

Note 20 – Interfund Activity

Interfund Transfers

During fiscal year 2016, the School District made the following transfers:

	Transfe	-	
T	G 1	m . 1	
Transfer to	General	Total	
Building	\$0	\$204	\$204
Other Governmental Funds	275,000	0	275,000
Total	\$275,000	\$204	\$275,204

The transfers from the general fund were made to support the activities of the receiving funds. Transfers between capital project funds were made to support capital outlays in those funds.

Interfund Balances

At June 30, 2016, the School District had the following interfund balances:

Interfund Balances		
June 30, 2016		
Receivables Payables		
\$71,500	\$0	
0	71,500	
\$71,500	\$71,500	
	June 30 Receivables \$71,500 0	

The advances to the other governmental funds were to support the activities of those funds. As of June 30, 2016, all interfund balances are anticipated to be repaid in one year.

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

Note 21 – Set-Asides

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

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
Set-Aside Balance as of June 30, 2015	\$0
Current Year Set-Aside Requirement	605,878
Offsets During the Fiscal Year	(372,729)
Qualifying Disbursements	(379,099)
Total	(\$145,950)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Balance as of June 30, 2016	\$0

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 22 – Significant Commitments

Contractual Commitments

At June 30, 2016, the School District an outstanding contractual commitment with Garland Company in the amount of \$71,650 for roof repairs on Rockside Administration Building. This amount was encumbered at fiscal year end.

Encumbrances

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

General	\$65,367
Building	18,179
Classroom Facilities	97,664
Other Governmental Funds	45,707
Total	\$226,917

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

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.16046860%	0.17436300%	0.17436300%
School District's Proportionate Share of the Net Pension Liability	\$9,156,493	\$8,824,412	\$10,368,808
School District's Covered Payroll	\$4,800,893	\$4,920,038	\$5,086,947
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.72%	179.36%	203.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

⁽¹⁾ Information prior to 2014 is not available.

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

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

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.14694241%	0.16124236%	0.16124236%
School District's Proportionate Share of the Net Pension Liability	\$40,610,585	\$39,219,723	\$46,718,277
School District's Covered Payroll	\$14,902,064	\$16,408,879	\$17,496,292
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	272.52%	239.02%	267.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

⁽¹⁾ Information prior to 2014 is not available.

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

Required Supplementary Information Schedule of the School District's Contributions School Employees Retirement System of Ohio Last Ten Fiscal Years

	2016	2015	2014	2013
Contractually Required Contribution	\$697,663	\$632,758	\$681,917	\$704,033
Contributions in Relation to the Contractually Required Contribution	(697,663)	(632,758)	(681,917)	(704,033)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
School District Covered Payroll	\$4,983,307	\$4,800,893	\$4,920,038	\$5,086,947
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.86%	13.84%

2012	2011	2010	2009	2008	2007
\$690,691	\$699,227	\$862,541	\$647,910	\$635,807	\$655,800
(690,691)	(699,227)	(862,541)	(647,910)	(635,807)	(655,800)
\$0	\$0	\$0	\$0	\$0	\$0
\$5,135,252	\$5,562,667	\$6,370,321	\$6,584,455	\$6,474,618	\$6,140,449
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

Required Supplementary Information Schedule of the School District's Contributions State Teachers Retirement System of Ohio Last Ten Fiscal Years

	2016	2015	2014	2013
Contractually Required Contribution	\$2,191,810	\$2,086,289	\$2,133,154	\$2,274,518
Contributions in Relation to the Contractually Required Contribution	(2,191,810)	(2,086,289)	(2,133,154)	(2,274,518)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
School District Covered Payroll	\$15,655,786	\$14,902,064	\$16,408,879	\$17,496,292
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$2,327,728	\$2,345,770	\$2,318,922	\$2,227,780	\$2,149,938	\$2,029,205
(2,327,728)	(2,345,770)	(2,318,922)	(2,227,780)	(2,149,938)	(2,029,205)
\$0	\$0	\$0	\$0	\$0	\$0
\$17,905,600	\$18,044,385	\$17,837,862	\$17,136,769	\$16,537,985	\$15,609,269
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE Passed Through Ohio Department of Education				
Nutrition Cluster: School Breakfast Program	10.553	N/A	\$ 447,967	\$ -
School Lunch Program	10.555	N/A	1,367,394	151,719
Total Nutrition Cluster			1,815,361	151,719
Federal Fruits and Vegetables	10.582	N/A	35,091	
Total U.S. Department of Agriculture			1,850,452	151,719
U.S. DEPARTMENT OF EDUCATION Passed Through Ohio Department of Education				
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	N/A	1,838,006	-
Special Education Cluster (IDEA): Special EducationGrants to States (IDEA, Part B)	84.027	N/A	742,571	-
Special EducationPreschool Grants (IDEA Preschool)	84.173	N/A	29,695	-
Total Special Education Cluster (IDEA)			772,266	
Improving Teacher Quality - Title II-A	84.367	N/A	75,051	-
Title III, English Language Acquisition Grant	84.365	N/A	784	-
Career and Technical Education – Basic Grants to States (Perkins IV)	84.048	N/A	77,589	-
Twenty-First Century Community Learning Centers	84.287	N/A	131,148	-
ARRA - Race to the Top	84.395	N/A	26,467	-
Total U.S. Department of Education			2,921,311	
Total Federal Financial Assistance			\$ 4,771,763	\$ 151,719

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 2 CFR 200.510(b)(6) FOR THE YEAR ENDED JUNE 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Maple Heights City School District (the District) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 D – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

INDEPENDENT AUDITOR'S 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 5740 Lawn Avenue Maple Heights, Ohio 44147

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Maple Heights City School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 27, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

Maple Heights City School District Cuyahoga County Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards* Page 2

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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-002.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost Auditor of State Columbus, Ohio

February 27, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Maple Heights City School District Cuyahoga County 5740 Lawn Avenue Maple Heights, Ohio 4417

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Maple Heights City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Maple Heights City School District Cuyahoga County Independent Auditor's Report On Compliance With Requirements Applicable to Each Major Federal Program And On Internal Control Over Compliance Required by the Uniform Guidance Page 2

Opinion on Each Major Federal Program

In our opinion, the Maple Heights City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Dave YostAuditor of State
Columbus, Ohio

February 27, 2017

SCHEDULE OF FINDINGS 2 CFR § 200.515 JUNE 30, 2016

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i) Type of Financial Statement Opinion Unmodified (d)(1)(ii) Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? Yes (d)(1)(iii) Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? No (d)(1)(iii) Was there any reported material noncompliance at the financial statement level (GAGAS)? No (d)(1)(iv) Were there any material weaknesses in internal control reported for major federal programs? No (d)(1)(iv) Were there any significant deficiencies in internal control reported for major federal programs? No (d)(1)(v) Type of Major Programs' Compliance Opinion Unmodified (d)(1)(vi) Are there any reportable findings under 2 CFR \$ 200.516(a)? CFDA #84.010 - Title I Grants to Local Education Agencies (d)(1)(viii) Major Programs: CFDA #84.027 & 84.173 - Special Education Cluster (IDEA) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$ 750,000 Type B: all others (d)(1)(ix) Low Risk Auditee under 2 CFR \$200.520? Yes		T	Г
control reported at the financial statement level (GAGAS)? (d)(1)(ii) Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? (d)(1)(iii) Was there any reported material noncompliance at the financial statement level (GAGAS)? (d)(1)(iv) Were there any material weaknesses in internal control reported for major federal programs? (d)(1)(iv) Were there any significant deficiencies in internal control reported for major federal programs? (d)(1)(v) Type of Major Programs' Compliance Opinion Unmodified (d)(1)(vi) Are there any reportable findings under 2 CFR § 200.516(a)? (d)(1)(vii) Major Programs: CFDA #84.010 – Title I Grants to Local Education Agencies CFDA #84.027 & 84.173 – Special Education Cluster (IDEA) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$750,000 Type B: all others	(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
internal control reported at the financial statement level (GAGAS)? (d)(1)(iii) Was there any reported material noncompliance at the financial statement level (GAGAS)? (d)(1)(iv) Were there any material weaknesses in internal control reported for major federal programs? (d)(1)(iv) Were there any significant deficiencies in internal control reported for major federal programs? (d)(1)(v) Type of Major Programs' Compliance Opinion Unmodified (d)(1)(vi) Are there any reportable findings under 2 CFR § 200.516(a)? (d)(1)(vii) Major Programs: CFDA #84.010 – Title I Grants to Local Education Agencies CFDA #84.027 & 84.173 – Special Education Cluster (IDEA) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$750,000 Type B: all others	(d)(1)(ii)	control reported at the financial statement	Yes
noncompliance at the financial statement level (GAGAS)? (d)(1)(iv) Were there any material weaknesses in internal control reported for major federal programs? (d)(1)(iv) Were there any significant deficiencies in internal control reported for major federal programs? (d)(1)(v) Type of Major Programs' Compliance Opinion Unmodified (d)(1)(vi) Are there any reportable findings under 2 CFR § 200.516(a)? (d)(1)(vii) Major Programs: CFDA #84.010 – Title I Grants to Local Education Agencies CFDA #84.027 & 84.173 – Special Education Cluster (IDEA) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$ 750,000 Type B: all others	(d)(1)(ii)	internal control reported at the financial	No
control reported for major federal programs? (d)(1)(iv) Were there any significant deficiencies in internal control reported for major federal programs? (d)(1)(v) Type of Major Programs' Compliance Opinion Unmodified (d)(1)(vi) Are there any reportable findings under 2 CFR § 200.516(a)? (d)(1)(vii) Major Programs: CFDA #84.010 – Title I Grants to Local Education Agencies CFDA #84.027 & 84.173 – Special Education Cluster (IDEA) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$ 750,000 Type B: all others	(d)(1)(iii)	noncompliance at the financial statement level	Yes
internal control reported for major federal programs? (d)(1)(v) Type of Major Programs' Compliance Opinion Unmodified (d)(1)(vi) Are there any reportable findings under 2 CFR § 200.516(a)? (d)(1)(vii) Major Programs: CFDA #84.010 – Title I Grants to Local Education Agencies CFDA #84.027 & 84.173 – Special Education Cluster (IDEA) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$ 750,000 Type B: all others	(d)(1)(iv)		No
(d)(1)(vi) Are there any reportable findings under 2 CFR § 200.516(a)? No (d)(1)(vii) Major Programs: CFDA #84.010 – Title I Grants to Local Education Agencies CFDA #84.027 & 84.173 – Special Education Cluster (IDEA) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$ 750,000 Type B: all others	(d)(1)(iv)	internal control reported for major federal	No
§ 200.516(a)? (d)(1)(vii) Major Programs: CFDA #84.010 – Title I Grants to Local Education Agencies CFDA #84.027 & 84.173 – Special Education Cluster (IDEA) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$ 750,000 Type B: all others	(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
Local Education Agencies CFDA #84.027 & 84.173 – Special Education Cluster (IDEA) (d)(1)(viii) Dollar Threshold: Type A\B Programs Type A: > \$ 750,000 Type B: all others	(d)(1)(vi)		No
Type B: all others	(d)(1)(vii)	Major Programs:	Local Education Agencies CFDA #84.027 & 84.173 – Special
(d)(1)(ix) Low Risk Auditee under 2 CFR §200.520? Yes	(d)(1)(viii)	Dollar Threshold: Type A\B Programs	
	(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

SCHEDULE OF FINDINGS 2 CFR § 200.515 JUNE 30, 2016 (Continued)

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

FINDING NUMBER 2016-001

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Treasurer, Superintendent, and Board of Education, and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The District misposted settlement revenues, understating Special Item - Settlement Revenues and overstating Intergovernmental Revenues and Grants and Entitlements Not Restricted to Specific Programs by \$900,000 in its Classroom Facilities Fund and Governmental Activities.

In addition, the District understated property tax receivable and deferred inflows - unavailable revenue by \$1,906,289, \$461,262, \$33,379, and \$17,854 in the General Fund, Bond Retirement Fund, Building Fund, and Other Governmental Funds respectively. The District also understated \$2,418,784 in property tax receivable and property tax revenue in its Governmental Activities.

Lack of proper controls over the posting of financial transactions resulted in the errors noted above. These amounts were adjusted by the District to its financial statements.

We recommend the District take the appropriate measures to ensure receipts and receivables are properly posted on its financial statements.

Officials' Response: The \$900,000 that was reported was the settlement in the case of Ohio Schools Facilities Commission versus one of the District's general contractors for a building project at Maple Heights. It was based on work done versus work not done correctly or completed.

The understated property tax revenue has been properly reported for all funds received from the County in the District's accounting system. The delinquent amounts appear on a County report. The report from the City of Maple Heights was used instead of for the District's for the calculation of delinquencies. This was used by Local Government Services in our GAAP conversion and was not recognized during the review of the financial statements.

SCHEDULE OF FINDINGS 2 CFR § 200.515 JUNE 30, 2016 (Continued)

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

FINDING NUMBER 2016-002

Accounting for Budgeted Revenues - Noncompliance and Material Weakness

Ohio Admin. Code §117-2-02(A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Admin. Code.

Ohio Admin. Code §117-2-02(C)(1) states all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The District failed to post budgeted revenues per the certificate of estimated resources to its accounting system. By not updating the accounting system, budgetary reports from the District's system are inaccurate and not reliable for the users making decisions based off the District's accounting records.

We recommend the District ensure its accounting system is continually updated with all budgetary data, in accordance with the above requirements.

Officials' Response: Budgeting the revenue has been based upon revenues received this year versus revenues received the last few years which is evident on the District's accounting records. The Treasurer did not realize that the revenue budget in the District's accounting system had to be filled in to show projected revenues. The Treasurer will change methods to make sure that occurs in the future.

3. FINDINGS FOR FEDERAL AWARDS

None

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CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The Treasurer will review the District's financial report prior to its annual filing to ensure proper accounting.	Immediately	Robert Applebaum, Treasurer
2016-002	The Treasurer will post budgeted revenues in the District's accounting system.	Immediately	Robert Applebaum, Treasurer





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.

CLERK OF THE BUREAU

Susan Babbitt

CERTIFIED MARCH 14, 2017