MAPLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

MAPLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2018

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OHIO AUDITOR OF STATE
KEITH FABER

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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 the Maple Heights City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2018, 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 such 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.

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 the Maple Heights City School District, Cuyahoga County, Ohio, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. We did not modify our opinion regarding this matter.

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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2019, 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.

Keith Faber
Auditor of State

Columbus, Ohio

July 22, 2019

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The discussion and analysis of the Maple Heights City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. 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 2018 are as follows:

- Total net position increased significantly. Total liabilities decreased significantly while total assets decreased slightly. The decrease in liabilities was primarily due to a decrease in the net pension and other postemployment benefit (OPEB) liabilities. The decrease in assets for fiscal year 2018 was primarily due to a decrease in capital assets resulting from depreciation outpacing capital outlay for the fiscal year.

- Total revenues increased in fiscal year 2018. The increase in revenue was due primarily to receiving more in property tax revenues, which increased due to stronger collections by the County during the fiscal year.

During fiscal year 2018, 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 nonmajor funds presented in total in one column. In the case of the School District, the general fund is by far the most significant fund. The bond retirement debt service fund and the building capital projects fund are also major funds.

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 2018. 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 capital projects fund.

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.

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2018 compared to fiscal year 2017:

Table 1
Net Position
Governmental Activities

	2018	Restated 2017	Change
Assets			
Current and Other Assets	$41,362,524	$38,666,961	$2,695,563
Capital Assets, Net	92,849,763	95,727,828	(2,878,065)
Total Assets	134,212,287	134,394,789	(182,502)
Deferred Outflows of Resources			
Deferred Charge on Refunding	2,417,419	2,407,456	9,963
Pension	14,960,160	11,540,606	3,419,554
OPEB	729,194	93,260	635,934
Total Deferred Outflows of Resources	18,106,773	14,041,322	4,065,451
Liabilities			
Current and Other Liabilities	5,221,120	7,453,144	2,232,024
Long-Term Liabilities:			
Due Within One Year	2,422,835	2,176,573	(246,262)
Due in More than One Year:			
Net Pension Liability	46,074,076	61,469,555	15,395,479
Net OPEB Liability	10,428,644	12,591,095	2,162,451
Other Amounts	64,336,952	63,719,643	(617,309)
Total Liabilities	128,483,627	147,410,010	18,926,383
Deferred Inflows of Resources			
Property Taxes	14,493,929	14,049,537	(444,392)
Pension	3,419,506	2,909,265	(510,241)
OPEB	1,170,798	0	(1,170,798)
Total Deferred Inflows of Resources	19,084,233	16,958,802	(2,125,431)
Net Position			
Net Investment in Capital Assets	34,912,917	36,498,047	(1,585,130)
Restricted:			
Capital Projects	731,137	0	731,137
Debt Service	4,455,510	3,928,199	527,311
Other Purposes	2,400,732	2,590,859	(190,127)
Unrestricted (Deficit)	(37,749,096)	(58,949,806)	21,200,710
Total Net Position	$4,751,200	($15,932,701)	$20,683,901

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed as follows, 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.

2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained previously, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from ($3,434,866) to ($15,932,701).

Total assets slightly decreased from the prior fiscal year largely due to a decrease in capital assets. This decrease is due to depreciation outpacing capital asset additions during the fiscal year. Current and other assets increased from the prior fiscal year due to an increase in cash and cash equivalents. This increase was due primarily to increases in property tax revenues during the fiscal year.

The increase in total deferred outflows of resources in fiscal year 2018 was due to an increase in the difference between projected and actual earnings on investments related to the School District's net pension and OPEB liabilities for SERS and for STRS.

The net pension and OPEB liabilities decreased significantly from the prior fiscal year. This decrease represents the School District's proportionate share of the unfunded benefits of the STRS and SERS plans. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension and OPEB liabilities.

As a result of the significant decrease in the net pension liability, the net position of the School District increased during fiscal year 2018.

Table 2 shows the change in net position for fiscal year 2018 compared to fiscal year 2017.

Table 2
Change in Net Position

	2018	Restated 2017	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	$734,852	$752,960	($18,108)
Operating Grants and Contributions	10,691,151	9,696,602	994,549
Total Program Revenues	11,426,003	10,449,562	976,441
General Revenues:			
Property Taxes	18,381,968	15,896,882	2,485,086
Grants and Entitlements not Restricted to Specific Programs	25,000,018	24,986,436	13,582
Investment Earnings	190,285	86,883	103,402
Unrestricted Contributions and Donations	336,046	5,013	331,033
Miscellaneous	568,248	361,294	206,954
Total General Revenues	44,476,565	41,336,508	3,140,057
Total Revenues	55,902,568	51,786,070	4,116,498
Program Expenses			
Instruction	16,237,818	33,365,702	17,127,884
Support Services:			
Pupil and Instructional Staff	2,481,167	4,061,637	1,580,470
Board of Education, Administration Fiscal and Business	5,247,798	6,365,518	1,117,720
Operation and Maintenance of Plant	4,406,855	4,137,236	(269,619)
Pupil Transportation	1,667,725	1,553,143	(114,582)
Central	12,874	12,563	(311)
Operation of Non-Instructional Services	46,601	34,183	(12,418)
Extracurricular Activities	641,526	930,109	288,583
Food Services Operations	1,808,560	2,132,495	323,935
Intergovernmental	0	3,532,875	3,532,875
Interest and Fiscal Charges	2,667,743	2,584,283	(83,460)
Total Program Expenses	35,218,667	58,709,744	23,491,077
Change in Net Position	20,683,901	(6,923,674)	27,607,575
Net Position Beginning of Year	(15,932,701)	N/A	
Net Position End of Year	$4,751,200	($15,932,701)	$20,683,901

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $93,260 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $1,499,592. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$35,218,667
Negative OPEB expense under GASB 75	1,499,592
2018 contractually required contribution	127,995
Adjusted 2018 program expenses	36,846,254
Total 2017 program expenses under GASB 45	58,709,744
Decrease in program expenses not related to OPEB	($21,863,490)

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption (see Note 12). As a result of these changes, pension expense decreased from $3,959,358 in fiscal year 2017 to a negative pension expense of $15,023,653 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	($9,969,764)
Special	(1,925,923)
Vocational	(376,502)
Intervention	(225,960)
Support Services:	
Pupils	(967,600)
Instructional Staff	(50,532)
Administration	(1,025,296)
Fiscal	(11,835)
Business	(9,625)
Operation and Maintenance of Plant	(47,813)
Pupil Transportation	(2,566)
Operation of Non-Instructional Services:	
Food Service Operations	(80,105)
Extracurricular Activities	(330,132)
Total Expenses	($15,023,653)

In fiscal year 2018, total revenues increased for governmental activities. The vast majority of revenue supporting governmental activities is general revenue. General revenue increased due to an increase in property taxes.

Property taxes made up the second largest component of total revenues for governmental activities for the School District in fiscal year 2018. Overall, property tax revenue increased due to stronger collections by the County.

Program expenses decreased significantly from the prior fiscal year. The major program expense for governmental activities, as expected, is for instruction. Instructional costs were significantly less than the prior fiscal year, primarily due to decreases related to the net pension liability.

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 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Instruction	$16,237,818	($8,161,177)	$33,365,702	($25,900,143)
Support Services:				
Pupil and Instructional Staff	2,481,167	(2,089,229)	4,061,637	(3,758,827)
Board of Education, Administration Fiscal and Business	5,247,798	(5,088,390)	6,365,518	(6,298,222)
Operation and Maintenance of Plant	4,406,855	(4,349,213)	4,137,236	(4,083,739)
Pupil Transportation	1,667,725	(1,397,685)	1,553,143	(1,330,002)
Central	12,874	(12,648)	12,563	(12,404)
Operation of Non-Instructional Services	46,601	(41,831)	34,183	(34,108)
Extracurricular Activities	641,526	(471,920)	930,109	(757,670)
Food Service Operations	1,808,560	487,172	2,132,495	32,091
Intergovernmental	0	0	3,532,875	(3,532,875)
Interest and Fiscal Charges	2,667,743	(2,667,743)	2,584,283	(2,584,283)
Total	$35,218,667	($23,792,664)	$58,709,744	($48,260,182)

Both the total cost of services and net cost of services decreased 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.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had total revenues, excluding other financing sources, that exceeded total expenditures, excluding other financing uses. The increases in fund balances in the general and bond retirement funds were primarily due to an increase in property tax revenue. The increase in fund balance in the building fund was due to increases in intergovernmental and contributions and donations revenues, as well as a decrease in expenditures.

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 2018, 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 lower than the original budget estimate, and lower than actual revenues. Actual revenues were $2,389,980 higher than the final estimate. This was primarily due to intergovernmental revenues. The final estimated expenditures were lower than the original budgeted expenditures and higher than actual expenditures. Actual expenditures were $380,384 lower than the final estimate. This was due to lower than expected expenditures in almost all programs in the general fund.

Capital Assets and Debt Administration

Capital Assets

All capital assets, except land and construction in progress, are reported net of depreciation. Additions to capital assets during the fiscal year included parking lot pavement, roofing, a bus garage, school buses, and other miscellaneous appliances; however, depreciation and the deletion of vehicles exceeded additions, causing a decrease in capital assets from the prior fiscal year. More detailed information is presented in Note 9 to the basic financial statements.

Debt Administration

The 2018 refunding certificates of participation (COPs) were issued to refund the 2008 COPs and the 2017 energy conservation note. The 2008 COPs were originally issued to make renovations to the Wylie Athletic Complex. The 2017 energy conservation note was originally 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.

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 capital lease was issued in fiscal year 2017 for the purchase of LED lighting for the stadium at the high school.

At June 30, 2018, the School District's overall legal debt margin was $0 with an unvoted debt margin of $257,728. The debt is within permissible limits. More detailed information is presented in Notes 14, 15, and 16 to the basic financial statements.

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.

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.

Basic Financial Statements

Maple Heights City School District

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$14,598,859
Cash and Cash Equivalents In Segregated Accounts	149,356
Cash Equivalents Held by Trustee	338,718
Accounts Receivable	5,630
Intergovernmental Receivable	1,152,229
Inventory Held for Resale	6,264
Property Taxes Receivable	25,111,468
Nondepreciable Capital Assets	5,460,268
Depreciable Capital Assets, Net	87,389,495
Total Assets	134,212,287
Deferred Outflows of Resources	
Deferred Charge on Refunding	2,417,419
Deferred Outflows - Pension	14,960,160
Deferred Outflows - OPEB	729,194
Total Deferred Outflows of Resources	18,106,773
Liabilities	
Accounts Payable	336,040
Accrued Wages and Benefits	2,855,480
Contracts Payable	25,235
Intergovernmental Payable	866,482
Claims Payable	328,322
Accrued Interest Payable	809,561
Long-Term Liabilities:	
Due Within One Year	2,422,835
Due in More Than One Year:	
Net Pension Liability (See Note 12)	46,074,076
Net OPEB Liability (See Note 13)	10,428,644
Other Amounts	64,336,952
Total Liabilities	128,483,627
Deferred Inflows of Resources	
Property Taxes	14,493,929
Deferred Inflows - Pension	3,419,506
Deferred Inflows - OPEB	1,170,798
Total Deferred Inflows of Resources	19,084,233
Net Position	
Net Investment in Capital Assets	34,912,917
Restricted for:	
Debt Service	4,455,510
Capital Projects	731,137
Food Service	1,441,484
Classroom Maintenance	716,846
School Improvement	162,040
Other Purposes	80,362
Unrestricted (Deficit)	(37,749,096)
Total Net Position	$4,751,200

See accompanying notes to the basic financial statements

Maple Heights City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Total
Governmental Activities				
Instruction:				
Regular	$12,328,114	$278,404	$2,648,683	($9,401,027)
Special	3,677,729	74,491	4,632,115	1,028,877
Vocational	150,725	7,835	430,183	287,293
Student Intervention Services	81,250	4,930	0	(76,320)
Support Services:				
Pupil	1,478,870	36,252	8,535	(1,434,083)
Instructional Staff	1,002,297	10,598	336,553	(655,146)
Board of Education	71,190	939	0	(70,251)
Administration	3,398,200	47,248	88,714	(3,262,238)
Fiscal	1,355,955	16,514	0	(1,339,441)
Business	422,453	5,993	0	(416,460)
Operation and Maintenance of Plant	4,406,855	54,981	2,661	(4,349,213)
Pupil Transportation	1,667,725	23,928	246,112	(1,397,685)
Central	12,874	226	0	(12,648)
Operation of Non-Instructional Services	46,601	199	4,571	(41,831)
Extracurricular Activities	641,526	146,990	22,616	(471,920)
Food Service Operations	1,808,560	25,324	2,270,408	487,172
Interest and Fiscal Charges	2,667,743	0	0	(2,667,743)
Total	$35,218,667	$734,852	$10,691,151	(23,792,664)

General Revenues	
Property Taxes Levied for:	
General Purposes	14,260,187
Debt Service	3,607,229
Capital Outlay	514,552
Grants and Entitlements not Restricted to Specific Programs	25,000,018
Investment Earnings	190,285
Unrestricted Contributions and Donations	336,046
Miscellaneous	568,248
Total General Revenues	44,476,565
Change in Net Position	20,683,901
Net Position Beginning of Year - Restated (See Note 3)	(15,932,701)
Net Position End of Year	$4,751,200

See accompanying notes to the basic financial statements

Maple Heights City School District
Balance Sheet
Governmental Funds
June 30, 2018

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$4,200,998	$3,522,200	$44,965	$2,339,931	$10,108,094
Receivables:					
Property Taxes Receivable	19,732,751	4,904,247	474,470	0	25,111,468
Accounts Receivable	5,309	0	0	321	5,630
Intergovernmental Receivable	265,463	0	0	886,766	1,152,229
Interfund Receivable	127,171	0	0	0	127,171
Inventory Held for Resale	0	0	0	6,264	6,264
Restricted Assets:					
Cash Equivalents Held in Segregated Accounts	0	0	149,356	0	149,356
Cash Equivalents Held by Trustee	0	0	338,718	0	338,718
Total Assets	$24,331,692	$8,426,447	$1,007,509	$3,233,282	$36,998,930
Liabilities					
Accounts Payable	$217,796	$0	$0	$117,993	$335,789
Accrued Wages and Benefits	2,568,466	0	0	287,014	2,855,480
Intergovernmental Payable	783,580	0	0	82,902	866,482
Contracts Payable	21,435	0	3,800	0	25,235
Interfund Payable	0	0	0	127,171	127,171
Total Liabilities	3,591,277	0	3,800	615,080	4,210,157
Deferred Inflows of Resources					
Property Taxes	11,349,576	2,871,781	272,572	0	14,493,929
Unavailable Revenue	6,385,887	1,545,592	153,533	356,287	8,441,299
Total Deferred Inflows of Resources	17,735,463	4,417,373	426,105	356,287	22,935,228
Fund Balances					
Restricted	0	4,009,074	577,604	2,356,175	6,942,853
Assigned	429,687	0	0	0	429,687
Unassigned (Deficit)	2,575,265	0	0	(94,260)	2,481,005
Total Fund Balances	3,004,952	4,009,074	577,604	2,261,915	9,853,545
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$24,331,692	$8,426,447	$1,007,509	$3,233,282	$36,998,930

See accompanying notes to the basic financial statements

Maple Heights City School District

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Funds Balances		$9,853,545
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		92,849,763
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	8,073,185	
Intergovernmental	356,287	
Tuition and Fees	11,827	
Total		8,441,299
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 the statement of net position.		4,162,192
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(809,561)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Certificates of Participation	(4,575,000)	
Refunding Bonds	(49,815,000)	
Capital Appreciation Bonds	(573,374)	
Capital Leases	(199,795)	
Accretion	(3,006,957)	
Premium on Bonds and Certificates of Participation	(6,530,697)	
Discount on Bonds and Certificates of Participation	1,050,006	
Compensated Absences	(3,108,970)	
Total		(66,759,787)
Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position.		2,417,419
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	14,960,160	
Deferred Outflows - OPEB	729,194	
Net Pension Liability	(46,074,076)	
Net OPEB Liability	(10,428,644)	
Deferred Inflows - Pension	(3,419,506)	
Deferred Inflows - OPEB	(1,170,798)	
Total		(45,403,670)
Net Position of Governmental Activities		$4,751,200

See accompanying notes to the basic financial statements

Maple Heights City School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	$13,929,456	$3,482,969	$463,087	$0	$17,875,512
Intergovernmental	28,699,737	495,463	260,138	6,238,310	35,693,648
Interest	195,094	0	(4,809)	0	190,285
Charges for Services	41,660	0	0	25,324	66,984
Tuition and Fees	554,339	0	0	0	554,339
Extracurricular Activities	31,864	0	0	72,640	104,504
Contributions and Donations	21,359	0	331,181	5,956	358,496
Rentals	4,941	0	0	0	4,941
Miscellaneous	549,036	0	9,938	9,274	568,248
Total Revenues	44,027,486	3,978,432	1,059,535	6,351,504	55,416,957
Expenditures					
Current:					
Instruction:					
Regular	20,985,365	0	0	2,285,268	23,270,633
Special	5,754,310	0	0	652,765	6,407,075
Vocational	583,761	0	0	73,181	656,942
Student Intervention Services	373,521	0	0	0	373,521
Support Services:					
Pupil	2,687,977	0	0	29,883	2,717,860
Instructional Staff	893,662	0	0	341,015	1,234,677
Board of Education	71,190	0	0	0	71,190
Administration	3,495,046	0	198,306	322,707	4,016,059
Fiscal	1,235,572	87,423	60,875	0	1,383,870
Business	453,022	0	0	0	453,022
Operation and Maintenance of Plant	4,103,241	0	0	552,866	4,656,107
Pupil Transportation	1,777,436	0	0	12,832	1,790,268
Central	17,113	0	0	0	17,113
Operation of Non-Instructional Services	14,908	0	0	31,693	46,601
Extracurricular Activities	690,972	0	0	206,686	897,658
Food Service Operations	190	0	0	2,012,817	2,013,007
Capital Outlay	20,698	0	0	0	20,698
Debt Service:					
Principal Retirement	0	890,593	47,245	0	937,838
Interest and Fiscal Charges	0	1,701,375	43,585	0	1,744,960
Capital Appreciation Bonds Interest	0	1,099,407	0	0	1,099,407
Issuance Costs	0	0	126,500	0	126,500
Advance Refunding Escrow	0	0	569,257	0	569,257
Total Expenditures	43,157,984	3,778,798	1,045,768	6,521,713	54,504,263
Excess of Revenues Over (Under) Expenditures	869,502	199,634	13,767	(170,209)	912,694
Other Financing Sources (Uses)					
Refunding COPs Issued	0	0	4,575,000	0	4,575,000
Discount on Refunding COPs Issued	0	0	(62,815)	0	(62,815)
Payment to Refunded COPs Escrow Agent	0	0	(2,135,124)	0	(2,135,124)
Transfers In	0	0	47,815	200,000	247,815
Transfers Out	(247,815)	0	0	0	(247,815)
Total Other Financing Sources (Uses)	(247,815)	0	2,424,876	200,000	2,377,061
Net Change in Fund Balances	621,687	199,634	2,438,643	29,791	3,289,755
Fund Balances (Deficit) Beginning of Year	2,383,265	3,809,440	(1,861,039)	2,232,124	6,563,790
Fund Balances End of Year	$3,004,952	$4,009,074	$577,604	$2,261,915	$9,853,545

See accompanying notes to the basic financial statements

Maple Heights City School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances -Total Governmental Funds		$3,289,755
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:		
Capital Outlay	552,810	
Current Year Depreciation	(3,430,875)	
Total		(2,878,065)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	456,184	
Intergovernmental	25,343	
Tuition Fees	4,084	
Total		485,611
Repayment of principal and capital appreciation bond interest and payment to refunded bond escrow agent are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position:		
Principal Retirement	937,838	
Capital Appreciation Bonds Interest	1,099,407	
Advance Refunding Escrow	569,257	
Payment to Refunded Bond Escrow Agent	2,135,124	
Total		4,741,626
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accrued Interest	3,375	
Annual Accretion	(1,102,601)	
Amortization of Premium	509,802	
Amortization of Discount	(57,685)	
Amortization of Deferred Charge	(149,174)	
Total		(796,283)
Proceeds of debt are other financing sources in the governmental funds, but increase liabilities in the governmental activities:		
Refunding Bonds Issued	(4,575,000)	
Discount on Refunding Bonds	62,815	
Total		(4,512,185)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(283,391)
The internal service fund used by management to charge the cost of insurance is included in the statement of activities and not on the governmental fund statement of revenues and expenditures.		704,454
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	3,281,139	
OPEB	127,995	
Total		3,409,134
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities are reported as pension/OPEB expense in the statement of activities:		
Pension	15,023,653	
OPEB	1,499,592	
Total		16,523,245
Change in Net Position of Governmental Activities		$20,683,901

See accompanying notes to the basic financial statements

Maple Heights City School District

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$14,004,683	$13,234,867	$14,047,010	$812,143
Intergovernmental	28,772,301	27,190,732	28,694,906	1,504,174
Interest	195,620	184,867	195,094	10,227
Charges for Services	7,165	6,771	7,146	375
Tuition and Fees	639,912	604,737	638,191	33,454
Contributions and Donations	4,878	4,610	4,865	255
Rentals	4,954	4,682	4,941	259
Miscellaneous	556,496	525,906	554,999	29,093
Total Revenues	44,186,009	41,757,172	44,147,152	2,389,980
Expenditures				
Current:				
Instruction:				
Regular	22,493,246	21,286,554	21,054,831	231,723
Special	6,157,461	5,827,133	5,763,015	64,118
Vocational	622,446	589,054	583,646	5,408
Student Intervention Services	350,364	331,568	327,920	3,648
Support Services:				
Pupil	2,877,476	2,719,230	2,693,148	26,082
Instructional Staff	921,662	872,218	866,313	5,905
Board of Education	75,905	71,833	71,397	436
Administration	3,694,853	3,469,887	3,458,162	11,725
Fiscal	1,344,652	1,272,516	1,262,148	10,368
Business	489,472	463,214	458,237	4,977
Operation and Maintenance of Plant	4,326,215	4,120,877	4,120,877	0
Pupil Transportation	1,919,377	1,816,408	1,807,333	9,075
Central	18,465	17,474	17,282	192
Operation of Non-Instructional Services	11,540	14,800	14,800	0
Extracurricular Activities	657,765	622,478	616,508	5,970
Food Service Operations	203	192	190	2
Capital Outlay	21,457	20,306	20,083	223
Debt Service:				
Interest and Fiscal Charges	51,088	48,347	47,815	532
Total Expenditures	46,033,647	43,564,089	43,183,705	380,384
Excess of Revenues Over (Under) Expenditures	(1,847,638)	(1,806,917)	963,447	2,770,364
Other Financing Sources (Uses)				
Advances In	101,781	96,186	101,507	5,321
Advances Out	(37,600)	(35,583)	(35,191)	392
Transfers Out	(128,213)	(121,335)	(200,000)	(78,665)
Total Other Financing Sources (Uses)	(64,032)	(60,732)	(133,684)	(72,952)
Net Change in Fund Balance	(1,911,670)	(1,867,649)	829,763	2,697,412
Fund Balance Beginning of Year	3,331,617	3,331,617	3,331,617	0
Prior Year Encumbrances Appropriated	6,341	6,341	6,341	0
Fund Balance End of Year	$1,426,288	$1,470,309	$4,167,721	$2,697,412

See accompanying notes to the basic financial statements

Maple Heights City School District

Statement of Fund Net Position

Internal Service Fund

June 30, 2018

	Insurance
Assets	
Equity in Pooled Cash and Cash Equivalents	$4,490,765
Liabilities	
Accounts Payable	251
Claims Payable	328,322
Total Liabilities	328,573
Net Position	
Unrestricted	$4,162,192

See accompanying notes to the basic financial statements

Maple Heights City School District
Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2018

	Insurance
Operating Revenues	
Charges for Services	$5,029,708
Other	8,518
Total Operating Revenues	5,038,226
Operating Expenses	
Claims	4,319,081
Other	14,691
Total Operating Expenses	4,333,772
Change in Net Position	704,454
Net Position Beginning of Year	3,457,738
Net Position End of Year	$4,162,192

See accompanying notes to the basic financial statements

Maple Heights City School District

Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2018

	Insurance
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	$5,029,708
Cash Received from Other Sources	8,518
Cash Payments for Claims	(4,227,838)
Cash Payments for Other Purposes	(14,980)
Net Increase in Cash and Cash Equivalents	795,408
Cash and Cash Equivalents Beginning of Year	3,695,357
Cash and Cash Equivalents End of Year	$4,490,765

Reconciliation of Operating Income
to Net Cash Provided by Operating Activities

Operating Income	$704,454
Adjustments	
Increase (Decrease) in Liabilities:	
Accounts Payable	(289)
Claims Payable	91,243
Total Adjustments	90,954
Net Cash Provided by Operating Activities	$795,408

See accompanying notes to the basic financial statements

Maple Heights City School District

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2018

Assets	
Equity in Pooled Cash and Cash Equivalents	$824,133
Liabilities	
Undistributed Monies	$793,856
Due to Students	30,277
Total Liabilities	$824,133

See accompanying notes to the basic financial statements

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 157 non-certificated employees, 214 certificated full-time teaching personnel, and 33 administrative employees to provide services to 3,504 students and other community members. The School District operates 3 elementary schools (K-5), 1 middle school (6-8), 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 18 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

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:

> ***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.

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., 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, pension, and OPEB plans. A deferred charge on refunding results from the difference in the carrying 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 and OPEB plans are explained in Notes 12 and 13.

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, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 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, intergovernmental grants, and tuition and fees. 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 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 12 and 13).

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 statement reflects 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 resources by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Cash and Cash Equivalents

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

During fiscal year 2018, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79 "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates their value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates; however, twenty-four hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAR Ohio reserves the right to limit the transactions to $100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

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 2018 amounted to $195,094, which includes $143,095 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 not.

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

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net 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 and compensated absences 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. Net pension/OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

Pensions/Other Postemployment Benefits (OPEB)

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

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 has also assigned fund balance for public school support and to cover a gap between fiscal year 2019's estimated revenue and 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.

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.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

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.

Deferred Charges 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.

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

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	($3,434,866)
Adjustments:	
Net OPEB Liability	(12,591,095)
Deferred Outflow - Payments Subsequent to Measurement Date	93,260
Restated Net Position June 30, 2017	($15,932,701)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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 public school support fund 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).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund:

Net Change in Fund Balance

GAAP Basis	$621,687
Net Adjustment for Revenue Accruals	202,258
Advances In	101,507
Net Adjustment for Expenditure Accruals	41,349
Advances Out	(35,191)
Perspective Differences:	
Public School Support	(2,888)
Adjustment for Encumbrances	(98,959)
Budget Basis	$829,763

Note 5 – Accountability

At June 30, 2018, the following funds had deficit fund balances:

Fund	Fund Balance
Special Revenue Funds:	
Public Preschool	$863
Miscellaneous State Grants	384
Title VI-B	57,074
Carl Perkins	29,065
Title I School Improvement	6,874

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.

Note 6 – 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:

Fund Balances	General	Bond Retirement	Building	Other Governmental Funds	Total
Restricted for:					
Debt Service	$0	$4,009,074	$0	$0	$4,009,074
Capital Projects	0	0	577,604	0	577,604
Food Service	0	0	0	1,501,473	1,501,473
Classroom Maintenance	0	0	0	616,846	616,846
School Improvement	0	0	0	112,659	112,659
Other Purposes	0	0	0	125,197	125,197
Total Restricted	0	4,009,074	577,604	2,356,175	6,942,853
Assigned to:					
Purchases on Order:					
Support Services	13,987	0	0	0	13,987
Public School Support	26,345	0	0	0	26,345
Fiscal Year 2019 Operations	389,355	0	0	0	389,355
Total Assigned	429,687	0	0	0	429,687
Unassigned (Deficit)	2,575,265	0	0	(94,260)	2,481,005
Total Fund Balances	$3,004,952	$4,009,074	$577,604	$2,261,915	$9,853,545

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;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio); and

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time 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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of a 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 June 30, 2018, $446,766 of the School District's total bank balance of $1,331,192 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2018, the School District had investments in STAR Ohio in the amount of $14,240,146. STAR Ohio investments are valued using Net Asset Value (NAV) per share and had an average maturity at fiscal year-end of 48.9 days.

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 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, 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 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, and are collected in calendar year 2018 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, 2018, are available to finance fiscal year 2018 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, 2018, 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, 2018, was $2,009,115 in the general fund, $486,874 in the bond retirement fund, and $48,365 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2017, was $2,126,669 in the general fund, $17,103 in the classroom facilities maintenance special revenue fund, $516,502 in the bond retirement fund, and $34,205 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 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$247,255,070	95.68 %	$245,821,030	95.38 %
Public Utility	11,163,270	4.32	11,907,320	4.62
	$258,418,340	100.00 %	$257,728,350	100.00 %
Full Tax Rate per $1,000 of Assessed Valuation	$91.50		$91.50	

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Capital Assets, not being depreciated:				
Land	$5,460,268	$0	$0	$5,460,268
Construction in Progress	771,974	153,666	(925,640)	0
Total Capital Assets, not being depreciated	6,232,242	153,666	(925,640)	5,460,268
Capital Assets, being depreciated:				
Land Improvements	1,594,749	45,300	0	1,640,049
Buildings and Improvements	107,945,186	925,640	0	108,870,826
Furniture and Equipment	2,158,912	192,362	0	2,351,274
Vehicles	1,863,663	161,482	(71,091)	1,954,054
Total Capital Assets, being depreciated	113,562,510	1,324,784	(71,091)	114,816,203
Less Accumulated Depreciation:				
Land Improvements	(549,987)	(36,612)	0	(586,599)
Buildings and Improvements	(21,140,115)	(3,226,713)	0	(24,366,828)
Furniture and Equipment	(853,956)	(131,268)	0	(985,224)
Vehicles	(1,522,866)	(36,282)	71,091	(1,488,057)
Total Accumulated Depreciation	(24,066,924)	(3,430,875) *	71,091	(27,426,708)
Total Capital Assets, being depreciated, net	89,495,586	(2,106,091)	0	87,389,495
Governmental Activities Capital Assets, Net	$95,727,828	($1,952,425)	($925,640)	$92,849,763

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$2,302,355
Special	473
Vocational	9,102
Support Services:	
Instructional Staff	55,938
Administration	754,191
Operation and Maintenance of Plant	56,882
Pupil Transportation	29,710
Central	491
Extracurricular Activities	177,672
Food Service Operations	44,061
Total Depreciation Expense	$3,430,875

Note 10 – 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 2018, 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
	Business Income/Extra Expense	3,060,000
	Inland Marine	902,408
	Flood	1,000,000
	Earthquake	1,000,000
	Employee Dishonesty	1,000,000
	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
	Fleet (Garagekeeper)	100,000
	Umbrella	10,000,000
	Self-Insured Retention	10,000
Travelers Insurance	Boiler and Machinery	50,000,000
	Excess Crime	500,000

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

Workers' Compensation

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

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 $150,000 per employee, per year. The claims liability of $328,322 reported in the internal service fund at June 30, 2018, 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 Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2017	$188,903	$4,288,695	$4,240,519	$237,079
2018	237,079	4,319,081	4,227,838	328,322

Note 11 – Receivables

Receivables at June 30, 2018, 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.

A summary of the principal items of intergovernmental receivable follows:

Governmental Activities	Amount
Title I Grant	$375,245
Title I School Improvement Grant	168,914
Miscellaneous Federal Grants	140,195
Workers' Compensation Rebate	134,059
State Foundation Tuition	101,890
Federal Food Subsidies	69,185
Title VI-B Grant	66,113
NSLP Equipment Grant	38,985
Medicaid Reimbursements	29,514
UPK Grant	14,436
Early Childhood Education Grant	11,409
Miscellaneous State Grants	2,284
Total Governmental Activities	$1,152,229

Note 12 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/OPEB 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/OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB 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 these estimates annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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 thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $809,102 for fiscal year 2018. Of this amount, $75,137 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS, 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 East Broad Street, Columbus, Ohio 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. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 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 after termination of employment at age 50 or later.

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 to 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, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The entire 14 percent employer contribution rate was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $2,472,037 for fiscal year 2018. Of this amount, $407,554 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, 2017, 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	0.16074990%	0.14849020%	
Proportion of the Net Pension Liability Current Measurement Date	0.16338520%	0.15285979%	
Change in Proportionate Share	0.00263530%	0.00436959%	
Proportionate Share of the Net Pension Liability	$9,761,905	$36,312,171	$46,074,076
Pension Expense	($512,417)	($14,511,236)	($15,023,653)

At June 30, 2018, 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	$420,119	$1,402,206	$1,822,325
Changes of Assumptions	504,795	7,941,871	8,446,666
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	134,605	1,275,425	1,410,030
School District Contributions Subsequent to the Measurement Date	809,102	2,472,037	3,281,139
Total Deferred Outflows of Resources	$1,868,621	$13,091,539	$14,960,160
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$0	$292,662	$292,662
Net Difference between Projected and Actual Earnings on Pension Plan Investments	46,338	1,198,344	1,244,682
Changes in Proportionate Share and Difference between School District Contributions and Proportionate Share of Contributions	223,462	1,658,700	1,882,162
Total Deferred Inflows of Resources	$269,800	$3,149,706	$3,419,506

$3,281,139 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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:			
2019	$230,454	$1,143,904	$1,374,358
2020	604,550	2,774,062	3,378,612
2021	182,285	2,658,895	2,841,180
2022	(227,570)	892,935	665,365
Total	$789,719	$7,469,796	$8,259,515

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 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, 2017, are presented as follows:

Wage Inflation	3.00 percent
Future Salary Increases, Including Inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by 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 rebalancing uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 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 School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	$13,546,987	$9,761,905	$6,591,126

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017 actuarial valuation, compared with July 1, 2016 are presented as follows:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017 actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016, actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set-back from age 90 and above.

Actuarial assumptions used in the July 1, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range 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:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

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 7.45 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 (6.45 percent) or one percentage point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	$52,052,261	$36,312,171	$23,053,504

Note 13 – Postemployment Benefits

See note 12 for a description of the net OPEB liability.

Plan Description – School Employees Retirement System (SERS)

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, 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 pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. 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 2018, the School District's surcharge obligation was $98,028.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $127,995 for fiscal year 2018. Of this amount, $100,811 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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 postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to postemployment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement system relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.16312970%	0.14849020%	
Proportion of the Net OPEB Liability Current Measurement Date	0.16635830%	0.15285979%	
Change in Proportionate Share	0.00322860%	0.00436959%	
Proportionate Share of the Net OPEB Liability	$4,464,620	$5,964,024	$10,428,644
OPEB Expense	$286,922	($1,786,514)	($1,499,592)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$0	$344,280	$344,280
Changes in Proportionate Share and Difference between			
School District Contributions and Proportionate Share of Contributions	56,617	200,302	256,919
School District Contributions Subsequent to the Measurement Date	127,995	0	127,995
Total Deferred Outflows of Resources	$184,612	$544,582	$729,194
Deferred Inflows of Resources			
Changes of Assumptions	$423,669	$480,422	$904,091
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	11,790	254,917	266,707
Total Deferred Inflows of Resources	$435,459	$735,339	$1,170,798

$127,995 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($135,937)	($53,035)	($188,972)
2020	(135,937)	(53,035)	(188,972)
2021	(104,021)	(53,035)	(157,056)
2022	(2,947)	(53,036)	(55,983)
2023	0	10,694	10,694
Thereafter	0	10,690	10,690
Total	($378,842)	($190,757)	($569,599)

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 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 OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented as follows:

Wage Inflation	3.00 percent
Future Salary Increases, Including Inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, Net of Plan Investment Expense, Including Price Inflation:	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017, was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017, was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the

Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the School District’s proportionate share of the net OPEB liability of SERS and what the School District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what the School District’s proportionate share of the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 percent decreasing to 6.0 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's Proportionate Share of the Net OPEB Liability	$5,391,597	$4,464,620	$3,730,217

	1% Decrease (6.5% decreasing to 4.0%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
School District's Proportionate Share of the Net OPEB Liability	$3,622,704	$4,464,620	$5,578,909

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented as follows:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036, and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the School District's proportionate share of the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the School District's proportionate share of the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's Proportionate Share of the Net OPEB Liability	$8,006,608	$5,964,024	$4,349,717

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$4,143,549	$5,964,024	$8,359,984

Note 14 – 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:

Debt Issue	Interest Rate	Original Issue Amount	Final 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
2018 Refunding Certificates of Participation:			
Term Portion	3.90	4,575,000	November 1, 2037
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

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

	Amount Outstanding 6/30/17	Additions	Reductions	Amount Outstanding 6/30/18	Amount Due in One Year
Certificates of Participation:					
2008 Certificates of Participation:					
Serial Portion	$265,000	$0	($265,000)	$0	$0
Term Portion	2,225,000	0	(2,225,000)	0	0
Premium	55,244	0	(55,244)	0	0
Total 20008 Certificates of Participation	2,545,244	0	(2,545,244)	0	0
2018 Refunding Certificates of Participation:					
Term Portion	0	4,575,000	0	4,575,000	245,000
Discount	0	(62,815)	2,085	(60,730)	0
Total 2018 Refunding Certificates of Participation	0	4,512,185	2,085	4,514,270	245,000
Total Certificates of Participation	2,545,244	4,512,185	(2,543,159)	4,514,270	245,000
General Obligation Bonds:					
2010 School Facilities Improvement:					
Capital Appreciation Bonds	475,205	0	(185,593)	289,612	159,768
Accretion	2,421,325	622,256	(1,099,407)	1,944,174	1,240,232
Premium	434,393	0	(144,798)	289,595	0
Total 2010 School Facilities Improvement	3,330,923	622,256	(1,429,798)	2,523,381	1,400,000
2013 School Facilities Refunding Bonds:					
Serial Portion	6,045,000	0	(160,000)	5,885,000	160,000
Term Portion	1,555,000	0	0	1,555,000	0
Capital Appreciation Bonds	49,702	0	0	49,702	0
Accretion	90,961	35,754	0	126,715	0
Premium	1,420,632	0	(88,790)	1,331,842	0
Total 2013 School Facilities Refunding Bonds	9,161,295	35,754	(248,790)	8,948,259	160,000
2014 School Facilities Refunding Bonds:					
Serial Portion	1,385,000	0	(145,000)	1,240,000	150,000
Term Portion	7,155,000	0	0	7,155,000	0
Capital Appreciation Bonds	19,972	0	0	19,972	0
Accretion	44,266	37,577	0	81,843	0
Premium	1,236,663	0	(74,573)	1,162,090	0
Discount	(242,970)	0	14,652	(228,318)	0
Total 2014 School Facilities Refunding Bonds	9,597,931	37,577	(204,921)	9,430,587	150,000
2015 School Facilities Refunding Bonds:					
Serial Portion	15,130,000	0	(400,000)	14,730,000	410,000
Term Portion	19,250,000	0	0	19,250,000	0
Capital Appreciation Bonds	214,088	0	0	214,088	0
Accretion	447,211	407,014	0	854,225	0
Premium	3,948,811	0	(201,641)	3,747,170	0
Discount	(801,906)	0	40,948	(760,958)	0
Total 2015 School Facilities Refunding Bonds	38,188,204	407,014	(560,693)	38,034,525	410,000
Total General Obligation Bonds	60,278,353	1,102,601	(2,444,202)	58,936,752	2,120,000
Net Pension Liability:					
SERS	11,765,409	0	(2,003,504)	9,761,905	0
STRS	49,704,146	0	(13,391,975)	36,312,171	0
Total Net Pension Liability	61,469,555	0	(15,395,479)	46,074,076	0
Net OPEB Liability:					
SERS	4,649,800	0	(185,180)	4,464,620	0
STRS	7,941,295	0	(1,977,271)	5,964,024	0
Total Net OPEB Liability	12,591,095	0	(2,162,451)	10,428,644	0
Other Long-Term Obligations:					
Capital Leases	247,040	0	(47,245)	199,795	48,006
Compensated Absences	2,825,579	292,719	(9,328)	3,108,970	9,829
Total Other Long-Term Obligations	3,072,619	292,719	(56,573)	3,308,765	57,835
Total Governmental Activities Long-Term Liabilities	$139,956,866	$5,907,505	($22,601,864)	$123,262,507	$2,422,835

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. During fiscal year 2018, the COPs were refunded.

The School District issued $4,575,000 in Refunding Certificates of Participation (COPs) on October 10, 2017, for the purpose of refunding the 2008 certificates of participation and energy conservation notes. The COPs issuance included a discount of $62,815, 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 the subleased back to the School District. The initial lease ended 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, 2037. 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 of 3.9 percent.

Net proceeds of $2,704,381 (including $569,257 of issuer equity contributions and after $127,864 in issuance costs and contingencies) were placed in an irrevocable trust with an escrow agent to provide for the redemption of the defeased COPs. As a result, $2,490,000 of the 2008 COPs is considered defeased and the liability for the refunded portion of these COPs has been removed from the School District's financial statements. At June 30, 2018, $2,360,000 of the defeased COPs are still outstanding.

The School District decreased its total debt service payments by $465,027 as a result of the refunding. The School District also incurred an economic gain (difference between the present value of the old and new debt service payments) of $333,983 and incurred an accounting loss of $159,137 (difference between amount paid to bond escrow agent and the refunding amount), which is shown in the following table:

	Governmental
Refunded 2008 COPs:	
Serial Portion	$265,000
Term Portion	2,225,000
Premium on COPs	55,244
Total Refunded 2008 COPs	2,545,244
Amount Paid to Refunded COPs Escrow Agent:	
2008 COPs	(2,669,349)
Advance Refunding Debt Service	(35,032)
2018 Refunding Accounting Loss	($159,137)

An analysis of the refunding issues follows:

	Governmental
Outstanding at June 30, 2017	$2,490,000
Amount Refunded	(2,490,000)
Outstanding Principal at June 30, 2018	$0

The term bond portion of the 2018 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
2019	$245,000
2020	260,000
2021	275,000
2022	285,000
2023	295,000
2024	305,000
2025	320,000
2026	330,000
2027	340,000
2028	355,000
2029	370,000
2030	115,000
2031	120,000
2032	125,000
2033	125,000
2034	130,000
2035	135,000
2036	140,000
2037	150,000

The remaining principal amount of the COPs ($155,000) will mature at stated maturity in fiscal year 2038, on November 1, 2037.

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, 2018, is $4,125,000. The accretion recorded for 2018 was $622,256, for a total outstanding bond liability of $2,233,786.

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. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2018, $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, 2018, is $3,540,000. The accretion recorded for fiscal year 2018 was $35,754, for a total outstanding bond liability of $176,417.

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:

	Issue			
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, 2018, $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, 2018, is $2,040,000. The accretion recorded for fiscal year 2018 was $37,577, for a total outstanding bond liability of $101,815.

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:

	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, 2018, $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, 2018, is $5,230,000. The accretion recorded for fiscal year 2018 was $407,014, for a total outstanding bond liability of $1,068,313.

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*

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.

There is no repayment schedule for the net pension and OPEB liabilities; however, employer pension and OPEB contributions are made from the general fund and the food service, public preschool, and title I special revenue funds. For additional information related to the net pension and OPEB liabilities see notes 12 and 13. Compensated absences will be paid from the general fund and the food service, public preschool, and title I special revenue funds. The capital lease will be paid from the building capital projects fund.

The overall debt margin of the School District as of June 30, 2018, was $0 with an unvoted debt margin of $257,728. 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, 2018, are as follows:

	Certificates of Participation	
	Term	
Fiscal Year Ending	Principal	Interest
2019	$245,000	$173,648
2020	260,000	163,800
2021	275,000	153,368
2022	285,000	142,447
2023	295,000	131,138
2024-2028	1,650,000	470,730
2029-2033	855,000	203,092
2034-2038	710,000	71,759
Total	$4,575,000	$1,509,982

	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Accretion
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	330,000	1,586,224	0	0	91,075	2,028,925
2023	165,000	1,381,338	175,000	196,587	58,715	2,106,285
2024-2028	8,180,000	4,726,025	4,105,000	2,515,712	19,972	2,020,028
2029-2033	5,225,000	401,811	9,905,000	4,494,951	49,701	3,490,299
2034-2037	5,165,000	191,600	13,775,000	1,615,687	0	0
Total	$21,855,000	$13,275,772	$27,960,000	$8,822,937	$573,374	$13,076,626

Note 15 – Short-Term Obligations

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

	Outstanding 6/30/17	Additions	Deletions	Outstanding 6/30/18
Capital Projects Fund - Building				
2017 Energy Conservation Notes 2.25%	$2,060,000	$0	($2,060,000)	$0

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 2017 energy conservation bond anticipation notes were issued to refinance 2016 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. During fiscal year 2018, the notes were retired using proceeds from the 2018 refunding certificates of participation.

Note 16 – Leases

Capital Leases

The School District has an existing lease for the purchase of LED lighting. The lease obligation meets the criteria of a capital lease and has been recorded on the government-wide statements. The original amounts capitalized for the capital lease and the book value as of June 30, 2018, is as follows:

	Amounts
Asset:	
Buildings and Improvements	$210,920
Less: Accumulated Depreciation	(28,123)
Current Book Value	$182,797

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2018.

Fiscal Year Ending June 30	Governmental Activities
2019	$53,301
2020	53,301
2021	53,301
2022	53,301
Total	213,204
Less: Amount Representing Interest	(13,409)
Present Value of Net Minimum Lease Payments	$199,795

Operating Leases

The School District leases a building for various uses and copiers throughout its buildings. Total costs for the leases were $71,225 for the fiscal year ended June 30, 2018. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending	Building	Copiers	Total
2019	$4,167	$2,534	$6,701
2020	0	2,534	2,534
2021	0	1,521	1,521
2022	0	296	296
Total	$4,167	$6,885	$11,052

Note 17 – Contingencies

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are finalized. As a result, the impact of FTE adjustments included a $13,865 payable that is reflected on the fiscal year 2018 financial statements.

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, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

Litigation

The School District was not a party to legal proceedings as of June 30, 2018.

Note 18 – 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 2018, the School District paid $109,807 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.

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 231 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 2018, the School District paid $92,582 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. Constellation New Energy (formerly Compass Energy) has been selected as the supplier and program manager for the period from July 1, 2017 through June 30, 2018. There are currently 157 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 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 Transactions

Interfund Transfers

During fiscal year 2018, the general fund transferred $47,815 to the building capital projects fund and $200,000 to other governmental funds for the purpose of supporting the activities of the funds.

Interfund Balances

At June 30, 2018, the School District had the following interfund balances:

	Interfund Balances June 30, 2018	
	Receivables	Payables
Governmental Activities:		
General	$127,171	$0
Other Governmental Funds	0	127,171
Total Governmental Activities	$127,171	$127,171

The advances to the other governmental funds were to support the activities of those funds. As of June 30, 2018, all interfund balances are anticipated to be repaid in one year.

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, 2017	$0
Current Year Set-Aside Requirement	614,486
Offsets During the Fiscal Year	(398,145)
Qualifying Disbursements	(634,657)
Total	($418,316)
Set-Aside Balance Carried Forward to Future Fiscal Years	$0
Set-Aside Balance as of June 30, 2018	$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

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	$98,959
Building	10,970
Other Governmental Funds	120,694
Total	$230,623

Required Supplementary Information

Maple Heights City School District, Ohio

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio

*Last Five Fiscal Years (1) **

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.16338520%	0.16074990%	0.16046860%	0.17436300%	0.17436300%
School District's Proportionate Share of the Net Pension Liability	$9,761,905	$11,765,409	$9,156,493	$8,824,412	$10,368,808
School District's Covered Payroll	$5,559,750	$4,983,307	$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	175.58%	236.10%	190.72%	179.36%	203.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the Required Supplementary Information

Maple Heights City School District, Ohio

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net OPEB Liability

School Employees Retirement System of Ohio

*Last Two Fiscal Years (1) **

	2018	2017
School District's Proportion of the Net OPEB Liability	0.16635830%	0.16312970%
School District's Proportionate Share of the Net OPEB Liability	$4,464,620	$4,649,800
School District's Covered Payroll	$5,559,750	$4,983,307
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	80.30%	93.31%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the Required Supplementary Information

Maple Heights City School District, Ohio

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

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.15285979%	0.14849020%	0.14694241%	0.16124236%	0.16124236%
School District's Proportionate Share of the Net Pension Liability	$36,312,171	$49,704,146	$40,610,585	$39,219,723	$46,718,277
School District's Covered Payroll	$17,014,571	$15,655,786	$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	213.42%	317.48%	272.52%	239.02%	267.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the Required Supplementary Information

Maple Heights City School District, Ohio

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net OPEB Liability

State Teachers Retirement System of Ohio

*Last Two Fiscal Years (1) **

	2018	2017
School District's Proportion of the Net OPEB Liability	0.15285979%	0.14849020%
School District's Proportionate Share of the Net OPEB Liability	$5,964,024	$7,941,295
School District's Covered Payroll	$17,014,571	$15,655,786
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.05%	50.72%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the Required Supplementary Information

Maple Heights City School District, Ohio
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015
Net Pension Liability:				
Contractually Required Contribution	$809,102	$778,365	$697,663	$632,758
Contributions in Relation to the Contractually Required Contribution	(809,102)	(778,365)	(697,663)	(632,758)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$5,993,348	$5,559,750	$4,983,307	$4,800,893
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
Net OPEB Liability:				
Contractually Required Contribution (2)	$127,995	$93,260	$83,520	$115,935
Contributions in Relation to the Contractually Required Contribution	(127,995)	(93,260)	(83,520)	(115,935)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	2.14%	1.68%	1.68%	2.41%
Total Contributions as a Percentage of Covered Payroll (2)	15.64%	15.68%	15.68%	15.59%

(1) The School District's covered payroll is the same for Pension and OPEB.
(2) Includes Surcharge

See accompanying notes to the Required Supplementary Information

2014	2013	2012	2011	2010	2009
$681,917	$704,033	$690,691	$699,227	$862,541	$647,910
(681,917)	(704,033)	(690,691)	(699,227)	(862,541)	(647,910)
$0	$0	$0	$0	$0	$0
$4,920,038	$5,086,947	$5,135,252	$5,562,667	$6,370,321	$6,584,455
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
$73,961	$77,220	$103,622	$189,715	$127,843	$378,606
(73,961)	(77,220)	(103,622)	(189,715)	(127,843)	(378,606)
$0	$0	$0	$0	$0	$0
1.50%	1.52%	2.02%	3.41%	2.01%	5.75%
15.36%	15.36%	15.47%	15.98%	15.55%	15.59%

Maple Heights City School District, Ohio

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

	2018	2017	2016	2015
Net Pension Liability:				
Contractually Required Contribution	$2,472,037	$2,382,040	$2,191,810	$2,086,289
Contributions in Relation to the Contractually Required Contribution	(2,472,037)	(2,382,040)	(2,191,810)	(2,086,289)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$17,657,407	$17,014,571	$15,655,786	$14,902,064
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability:				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the Required Supplementary Information

2014	2013	2012	2011	2010	2009
$2,133,154	$2,274,518	$2,327,728	$2,345,770	$2,318,922	$2,227,780
(2,133,154)	(2,274,518)	(2,327,728)	(2,345,770)	(2,318,922)	(2,227,780)
$0	$0	$0	$0	$0	$0
$16,408,879	$17,496,292	$17,905,600	$18,044,385	$17,837,862	$17,136,769
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$164,089	$174,963	$179,056	$180,444	$178,379	$171,368
(164,089)	(174,963)	(179,056)	(180,444)	(178,379)	(171,368)
$0	$0	$0	$0	$0	$0
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented as follows:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions – STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented as follows:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1 ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-

2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set-back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, Net of Plan Investment Expense, Including Price Inflation:	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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MAPLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	Federal CFDA Number	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Nutrition Cluster:			
School Breakfast Program	10.553	$ 422,347	$ -
School Lunch Program	10.555	1,297,833	118,871
Total Nutrition Cluster		1,720,180	118,871
State Administrative Expenses for Child Nutrition	10.560	60,508	-
Federal Fruits and Vegetables	10.582	86,913	-
Total U.S. Department of Agriculture		**1,867,601**	**118,871**
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	1,883,426	-
Special Education Cluster (IDEA):			
Special Education--Grants to States (IDEA, Part B)	84.027	810,281	-
Special Education--Preschool Grants (IDEA Preschool)	84.173	13,396	-
Total Special Education Cluster (IDEA)		823,677	-
Career and Technical Education – Basic Grants to States (Perkins IV)	84.048	80,900	-
Twenty-First Century Community Learning Centers	84.287	339,870	-
Title III, English Language Acquisition Grant	84.365	439	-
Improving Teacher Quality - Title II-A	84.367	179,928	-
Student Support and Academic Enrichment Program	84.424	15,824	-
Total U.S. Department of Education		**3,324,064**	**-**
Total Federal Financial Assistance		**$ 5,191,665**	**$ 118,871**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018

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's) under programs of the federal government for the year ended June 30, 2018. 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - 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 E – FOOD DONATION PROGRAM

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

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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 44137

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 22, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 report is not suitable for any other purpose.

Keith Faber

Keith Faber
Auditor of State

Columbus, Ohio

July 22, 2019

OHIO AUDITOR OF STATE
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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 44137

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's) 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, 2018. 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.

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 affect each of its major federal programs for the year ended June 30, 2018.

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.

Keith Faber
Auditor of State

Columbus, Ohio

July 22, 2019

MAPLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

SCHOOL OF FINDINGS

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

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)?**	No
(d)(1)(ii)	**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)?**	No
(d)(1)(vii)	**Major Programs:**	CFDA #84.10 – Title I CFDA #84,027, 84.173 – Special Education Cluster
(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?**	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

MAPLE HEIGHTS CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 6, 2019