

Maple Heights City School District

**Basic Financial Statements
June 30, 2012**



Dave Yost • Auditor of State

Board of Education
Maple Heights City School District
5740 Lawn Avenue
Maple Heights, OH 44137

We have reviewed the *Independent Auditor's Report* of the Maple Heights City School District, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Maple Heights City School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 31, 2013

Maple Heights City School District

For the Year Ended June 30, 2012

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Maple Heights City School District

For the Year Ended June 30, 2012

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Independent Auditor's Report

Board of Education
Maple Heights City School District
Maple Heights, Ohio

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 (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education
Maple Heights City School District

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Cini & Panichi, Inc.

Cleveland, Ohio
December 29, 2012

Maple Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of the Maple Heights City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. 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 2012 are as follows:

- Total net assets increased by \$0.3 million. Total liabilities decreased to \$89.4 million from \$91.6 million in the prior fiscal year while total assets decreased to \$156.2 million from \$158.1 million in the prior fiscal year. The decrease in liabilities for fiscal year 2012 was primarily the result of lower contracts and intergovernmental payables while the decrease in assets was primarily due to having lower intergovernmental receivables.
- Total revenue decreased from \$49.6 million in fiscal year 2011 to \$47.1 million. The decrease in revenue was due to receiving less in operating grants and contributions related to specific programs.
- Property tax revenue increased by \$0.8 million from the prior fiscal year due to the receipt of higher delinquent property taxes.

During fiscal year 2012, the School District was self insured for medical insurance benefits provided to School District employees. Over the past several years, the School District has experienced double digit percentage increases for employee benefits without the means to generate the revenue necessary to meet these increases. In an effort to curtail future double percentage increases of employee benefits, the School District became self insured in fiscal year 2008 for purposes of cost containment. The School District has seen a savings by being self insured although this trend may not continue in the future. In addition, the School District has purchased stop loss insurance. We have 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.

The School District's five-year forecast (which has been submitted to the Ohio Department of Education and appears on our website) reflects a positive cash balance through fiscal year 2014. One of the largest sources of revenue included in the forecast is State foundation revenue. State foundation revenue amounts are uncertain. The five-year forecast includes projected revenue for fiscal years 2012 through 2016. Funding for fiscal years 2012 through 2016 can only be estimated at this time, and is largely uncertain beyond fiscal year 2012, due to the revenue challenges that the State of Ohio is facing. The tangible personal property reimbursement from the State has been virtually eliminated after this fiscal year, representing a loss to the School District of over \$1 million for each of the next several fiscal years. The School District is benefiting from ERATE funding that will total close to \$2 million combined for fiscal years 2012 and 2013. The School District also recently renewed a five-year, \$6.7 million levy for operating funds in November, 2012. The forecast also reflects the fact that all employees are taking a three year step and wage freeze that carries through fiscal year 2015.

Maple Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Finally, the Board just completed refinancing in November, 2012 of \$8.3 million of the \$56 million original bond issue that should save tax payers in Maple Heights almost \$900,000 over the life of those refinancing bonds. The School District will continue to look at refinancing bonds in the future.

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the School District did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

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

Maple Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to fiscal year 2011:

Table 1
Net Assets
Governmental Activities

	2012	2011	Change
Assets			
Current and Other Assets	\$54,303,477	\$92,790,062	(\$38,486,585)
Capital Assets, Net	101,870,415	65,318,887	36,551,528
<i>Total Assets</i>	<u>156,173,892</u>	<u>158,108,949</u>	<u>(1,935,057)</u>
Liabilities			
Current and Other Liabilities	23,711,115	26,152,427	2,441,312
Long-Term Liabilities:			
Due Within One Year	798,010	939,848	141,838
Due in More than One Year	64,903,095	64,536,408	(366,687)
<i>Total Liabilities</i>	<u>89,412,220</u>	<u>91,628,683</u>	<u>2,216,463</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	42,388,029	15,695,622	26,692,407
Restricted:			
Capital Projects	25,096,838	51,582,072	(26,485,234)
Other Purposes	1,969,681	2,294,517	(324,836)
Unrestricted (Deficit)	<u>(2,692,876)</u>	<u>(3,091,945)</u>	<u>399,069</u>
<i>Total Net Assets</i>	<u>\$66,761,672</u>	<u>\$66,480,266</u>	<u>\$281,406</u>

Maple Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Total assets decreased from the prior fiscal year due to lower intergovernmental receivables. The large decrease in cash and cash equivalents was offset by the increase in capital assets related to the construction of new school buildings. Total liabilities for governmental activities decreased by \$2.2 million, primarily due to lower contracts and intergovernmental payables. The net impact of these two occurrences was an increase in net assets of \$0.3 million.

Table 2 shows the change in net assets for fiscal year 2012 compared to fiscal year 2011.

Table 2
Change in Net Assets

	2012	2011	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,108,208	\$1,685,644	(\$577,436)
Operating Grants and Contributions	4,367,068	7,872,865	(3,505,797)
<i>Total Program Revenues</i>	<u>5,475,276</u>	<u>9,558,509</u>	<u>(4,083,233)</u>
General Revenues:			
Property Taxes	18,596,163	17,841,228	754,935
Grants and Entitlements	21,495,530	21,471,991	23,539
Investment Earnings	282,266	428,168	(145,902)
Contributions and Donations	51,350	48,946	2,404
Other	1,240,256	285,057	955,199
<i>Total General Revenues</i>	<u>41,665,565</u>	<u>40,075,390</u>	<u>1,590,175</u>
<i>Total Revenues</i>	<u>47,140,841</u>	<u>49,633,899</u>	<u>(2,493,058)</u>
Program Expenses			
Instruction	25,718,121	26,718,174	1,000,053
Support Services:			
Pupil and Instructional Staff	3,756,997	3,537,437	(219,560)
Board of Education, Administration			
Fiscal and Business	5,286,506	6,908,433	1,621,927
Operation and Maintenance of Plant	4,485,601	3,944,541	(541,060)
Pupil Transportation	1,566,417	1,536,715	(29,702)
Central	39,044	25,168	(13,876)
Operation of Non-Instructional Services	122,010	154,419	32,409
Extracurricular Activities	1,093,121	1,057,344	(35,777)
Food Services Operations	1,667,650	1,844,826	177,176
Interest and Fiscal Charges	3,123,968	3,040,141	(83,827)
<i>Total Program Expenses</i>	<u>46,859,435</u>	<u>48,767,198</u>	<u>1,907,763</u>
Net Change in Net Assets	281,406	866,701	(585,295)
<i>Net Assets Beginning of Year</i>	<u>66,480,266</u>	<u>65,613,565</u>	<u>866,701</u>
<i>Net Assets End of Year</i>	<u>\$66,761,672</u>	<u>\$66,480,266</u>	<u>\$281,406</u>

Maple Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Total revenue decreased for governmental activities from \$49.6 million to \$47.1 million. The vast majority of revenue supporting governmental activities is general revenue. General revenue increased from \$40.1 million in fiscal year 2011 to \$41.7 million in fiscal year 2012. The primary sources of the increase were in property tax and other revenue. General revenue comprised 88.4 percent of total revenue.

Property taxes made up 39.4 percent of revenues for governmental activities for the School District in fiscal year 2012. Overall, property tax revenue increased by \$0.8 million. Property tax revenue increased due to the collection of higher delinquent taxes over the prior fiscal year.

Program expense decreased from \$48.8 million in fiscal year 2011 to \$46.9 million in fiscal year 2012. The major program expense for governmental activities, as expected, is for instruction. Instructional costs were \$1 million lower than the prior fiscal year. When combined with pupil and instructional staff support, these categories make up 62.9 percent of expenses.

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

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

Table 3
Governmental
Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Instruction	\$25,718,121	(\$23,017,282)	\$26,718,174	(\$20,941,497)
Support Services:				
Pupil and Instructional Staff	3,756,997	(3,354,389)	3,537,437	(2,553,507)
Board of Education, Administration				
Fiscal and Business	5,286,506	(5,059,016)	6,908,433	(6,427,237)
Operation and Maintenance of Plant	4,485,601	(4,416,286)	3,944,541	(3,786,608)
Pupil Transportation	1,566,417	(1,541,912)	1,536,715	(1,491,385)
Central	39,044	(32,353)	25,168	(5,581)
Operation of Non-Instructional Services	122,010	(6,150)	154,419	21,669
Extracurricular Activities	1,093,121	(920,449)	1,057,344	(940,484)
Food Service Operations	1,667,650	87,646	1,844,826	(43,918)
Interest and Fiscal Charges	3,123,968	(3,123,968)	3,040,141	(3,040,141)
Total	\$46,859,435	(\$41,384,159)	\$48,767,198	(\$39,208,689)

Maple Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The dependence upon general tax revenues and unrestricted State entitlements for governmental activities is apparent. In fiscal year 2012, 39.7 percent of total expenses are supported through taxes, an increase from the 36.6 percent in fiscal year 2011. Grants and entitlements not restricted to specific programs in fiscal year 2012 support 45.9 percent, an increase from the 44 percent in fiscal year 2011. Investments and other miscellaneous type revenues support the remaining activity costs. In fiscal year 2012, program revenues only account for 11.7 percent of all governmental expenses, a decrease from the 19.6 percent in fiscal year 2011. The community, as a whole, is a primary support for School District students, with property taxes and unrestricted State entitlements being the most important source of revenue.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. A review of the School District's major funds demonstrates a decrease in fund balance for all major funds, except for the bond retirement debt service fund. All governmental funds had total revenues of \$48.1 million and expenditures of \$83.9 million. The net change in fund balance for the year was most significant in the classroom facilities fund, where the fund balance went from a fund balance of \$57.6 million in fiscal year 2011 to a fund balance of \$21.8 million for fiscal year 2012. The main reason for this decrease was due to capital outlays for new buildings within the School District.

General Fund Budgeting Highlights

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

During fiscal 2012, 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 \$36,929,186, below the original budget estimate of \$37,385,631, and above actual revenues of \$36,620,868. The final estimated expenditures were \$36,747,478, below the original budgeted expenditures of \$38,221,102, and above actual expenditures of \$36,427,803.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$193,065 below revenues. After other financing sources and uses are included, the net change in fund balance was a decrease of \$575,058.

Maple Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2012 balances compared to fiscal year 2011. More detailed information is presented in Note 11 to the basic financial statements.

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

	2012	2011
Land	\$1,220,608	\$1,220,608
Construction in Progress	31,025,978	52,342,037
Buildings and Improvements	68,557,614	10,792,400
Furniture and Equipment	836,830	596,937
Vehicles	229,385	366,905
Totals	\$101,870,415	\$65,318,887

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

Debt

Table 5 summarizes the debt outstanding for fiscal years 2012 and 2011. More detailed information is presented in Notes 15 and 16 to the basic financial statements.

Table 5
 Outstanding Debt at June 30
 Governmental Activities

	2012	2011
<i>Certificates of Participation:</i>		
2008 Certificates of Participation	\$3,065,000	\$3,165,000
<i>General Obligation Bonds:</i>		
2010 School Facilities Improvement Bonds	54,359,932	55,054,932
<i>Short-Term Notes:</i>		
Energy Conservation Note	2,611,000	2,711,000
Totals	\$60,035,932	\$60,930,932

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

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

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Unaudited

The 2012 energy conservation note was issued to refinance the 2011 energy conservation note. Originally, these notes were issued to replace heating systems at Dunham and Raymond Elementary Schools, lighting systems, and steam traps in all School District buildings and exterior windows at Rockside Elementary. Principal and interest payments are made from the general fund through savings realized through reductions in energy consumption.

At June 30, 2012, the School District's overall legal debt margin was \$35,596,096 with an unvoted debt margin of \$395,512. The debt is well within permissible limits.

Current Issues

The School District's five-year forecast continues to be the instrument used to make future financial decisions with regard to program and funding strategies. Currently, the forecast indicates a positive fund balance through fiscal year 2014.

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. For the first time in its history, the School District obtained the ranking of "effective", moving up from the category of "continuous improvement" in fiscal year 2011. In addition, the School District's system of budgeting and internal controls is critical to the integrity of the use of public funds. All of the School District's financial abilities will be needed to meet the challenges of the future.

The School District has moved into five new school buildings during the past 12 months, with the new high school representing the final building that was opened in August of 2012. Originally, some buildings were not scheduled to be opened until fiscal year 2014, but they are now all opened and operating for fiscal year 2013.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert J. Applebaum, Treasurer at Maple Heights City School District, 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 Assets

June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$31,261,755
Cash Equivalents Held by Trustee	338,718
Accounts Receivable	409,459
Intergovernmental Receivable	1,608,203
Inventory Held for Resale	33,035
Property Taxes Receivable	20,098,761
Deferred Charges	553,546
Nondepreciable Capital Assets	32,246,586
Depreciable Capital Assets, Net	<u>69,623,829</u>
<i>Total Assets</i>	<u>156,173,892</u>
Liabilities	
Accounts Payable	360,860
Accrued Wages and Benefits	2,807,253
Contracts Payable	1,377,599
Retainage Payable	735,197
Intergovernmental Payable	994,270
Matured Compensated Absences Payable	212,711
Claims Payable	360,240
Accrued Interest Payable	1,225,730
Deferred Revenue	13,026,255
Notes Payable	2,611,000
Long-Term Liabilities:	
Due Within One Year	798,010
Due In More Than One Year	<u>64,903,095</u>
<i>Total Liabilities</i>	<u>89,412,220</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	42,388,029
Restricted for:	
Capital Projects	25,096,838
Special Education	261,527
Training and Development	15,685
Alternative Education	600
Food Service	327,863
Other Purposes	1,364,006
Unrestricted (Deficit)	<u>(2,692,876)</u>
<i>Total Net Assets</i>	<u><u>\$66,761,672</u></u>

See accompanying notes to the basic financial statements

Maple Heights City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Total
Governmental Activities				
Instruction:				
Regular	\$21,107,019	\$320,664	\$1,587,566	(\$19,198,789)
Special	3,589,896	54,747	649,186	(2,885,963)
Vocational	826,448	25,186	59,213	(742,049)
Adult/Continuing	0	0	775	775
Student Intervention Services	194,758	3,502	0	(191,256)
Support Services:				
Pupil	1,513,607	27,936	0	(1,485,671)
Instructional Staff	2,243,390	32,361	342,311	(1,868,718)
Board of Education	49,699	960	0	(48,739)
Administration	3,072,812	53,288	135,973	(2,883,551)
Fiscal	1,885,132	29,092	0	(1,856,040)
Business	278,863	8,177	0	(270,686)
Operation and Maintenance of Plant	4,485,601	69,315	0	(4,416,286)
Pupil Transportation	1,566,417	24,505	0	(1,541,912)
Central	39,044	202	6,489	(32,353)
Operation of Non-Instructional Services	122,010	63	115,797	(6,150)
Extracurricular Activities	1,093,121	152,867	19,805	(920,449)
Food Service Operations	1,667,650	305,343	1,449,953	87,646
Interest and Fiscal Charges	3,123,968	0	0	(3,123,968)
<i>Total</i>	<u>\$46,859,435</u>	<u>\$1,108,208</u>	<u>\$4,367,068</u>	<u>(41,384,159)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	14,770,444
Special Revenue	108,481
Debt Service	3,290,876
Capital Outlay	426,362
Grants and Entitlements not	
Restricted to Specific Programs	21,495,530
Investment Earnings	282,266
Unrestricted Contributions and Donations	51,350
Miscellaneous	1,240,256
<i>Total General Revenues</i>	<u>41,665,565</u>
Change in Net Assets	281,406
<i>Net Assets Beginning of Year</i>	<u>66,480,266</u>
<i>Net Assets End of Year</i>	<u>\$66,761,672</u>

See accompanying notes to the basic financial statements

Maple Heights City School District

Balance Sheet

Governmental Funds

June 30, 2012

	General	Bond Retirement	Building	Classroom Facilities	Other Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$370,730	\$2,880,653	\$1,909,248	\$23,857,953	\$1,423,540
Property Taxes Receivable	16,015,672	3,652,834	286,837	0	143,418
Accounts Receivable	4,860	0	0	16,898	417
Intergovernmental Receivable	170,253	0	0	702,615	735,335
Inventory Held for Resale	0	0	0	0	33,035
Restricted Assets:					
Cash Equivalents Held by Trustee	0	0	338,718	0	0
Total Assets	\$16,561,515	\$6,533,487	\$2,534,803	\$24,577,466	\$2,335,745
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$190,595	\$0	\$0	\$0	\$170,265
Accrued Wages and Benefits	2,799,811	0	0	0	7,442
Intergovernmental Payable	962,032	0	0	0	32,238
Contracts Payable	21,168	0	0	1,356,431	0
Retainage Payable	0	0	0	735,197	0
Matured Compensated Absences Payable	212,711	0	0	0	0
Deferred Revenue	13,913,195	3,171,997	251,272	651,841	371,285
Accrued Interest Payable	0	0	7,064	0	0
Notes Payable	0	0	2,611,000	0	0
Total Liabilities	18,099,512	3,171,997	2,869,336	2,743,469	581,230
Fund Balances					
Restricted	0	3,361,490	0	21,833,997	1,754,515
Assigned	59,005	0	0	0	0
Unassigned (Deficit)	(1,597,002)	0	(334,533)	0	0
Total Fund Balances (Deficit)	(1,537,997)	3,361,490	(334,533)	21,833,997	1,754,515
Total Liabilities and Fund Balances	\$16,561,515	\$6,533,487	\$2,534,803	\$24,577,466	\$2,335,745

See accompanying notes to the basic financial statements

Maple Heights City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012*

Total Governmental Funds	Total Governmental Funds Balances	\$25,077,472
	<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$30,442,124	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	101,870,415
20,098,761		
22,175	Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:	
1,608,203	Delinquent Property Taxes	4,435,845
33,035	Grants	897,490
338,718	Total	5,333,335
\$52,543,016	An internal service fund is used by management to charge the costs of internal service fund are included in governmental activities in the statement of net assets.	846,675
\$360,860	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(1,218,666)
2,807,253		
994,270	Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.	553,546
1,377,599		
735,197	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
212,711	General Obligation Bonds	(52,315,000)
18,359,590	Capital Appreciation Bonds	(2,044,932)
7,064	Certificates of Participation	(3,065,000)
2,611,000	Premium on Bonds and Certificates of Participation	(4,068,868)
	Accretion	(1,452,403)
27,465,544	Compensated Absences	(2,754,902)
	Total	(65,701,105)
25,077,472		
\$52,543,016	<i>Net Assets of Governmental Activities</i>	\$66,761,672

Maple Heights City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Building	Classroom Facilities	Other Governmental Funds
Revenues					
Property Taxes	\$13,964,326	\$3,095,030	\$404,707	\$0	\$97,654
Intergovernmental	20,973,970	452,070	69,490	1,383,218	4,933,147
Interest	14,154	0	0	268,062	50
Charges for Services	16,988	0	0	0	305,668
Tuition and Fees	644,081	0	0	0	0
Extracurricular Activities	85,771	0	0	0	55,700
Contributions and Donations	51,350	0	0	0	19,805
Miscellaneous	863,080	0	1,290	365,757	10,129
<i>Total Revenues</i>	<u>36,613,720</u>	<u>3,547,100</u>	<u>475,487</u>	<u>2,017,037</u>	<u>5,422,153</u>
Expenditures					
Current:					
Instruction:					
Regular	17,549,767	0	52,988	0	2,224,960
Special	2,981,835	0	0	0	639,866
Vocational	1,326,114	0	0	0	85,366
Adult/Continuing	0	0	0	0	877
Student Intervention Services	194,758	0	0	0	0
Support Services:					
Pupil	1,556,113	0	0	0	0
Instructional Staff	1,741,186	0	0	0	448,413
Board of Education	53,365	0	0	0	3,008
Administration	2,925,953	0	0	0	171,759
Fiscal	1,610,021	100,481	185,128	0	0
Business	440,172	0	0	0	0
Operation and Maintenance of Plant	3,863,652	0	39,520	0	325,648
Pupil Transportation	1,345,689	0	0	0	0
Central	11,237	0	0	0	27,807
Operation of Non-Instructional Services	3,352	0	0	0	120,078
Extracurricular Activities	647,459	0	0	0	98,589
Food Service Operations	170	0	0	0	1,692,549
Capital Outlay	17,879	0	253,478	37,749,431	0
Debt Service:					
Principal Retirement	0	695,000	100,000	0	0
Interest and Fiscal Charges	0	2,579,438	33,610	0	0
<i>Total Expenditures</i>	<u>36,268,722</u>	<u>3,374,919</u>	<u>664,724</u>	<u>37,749,431</u>	<u>5,838,920</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>344,998</u>	<u>172,181</u>	<u>(189,237)</u>	<u>(35,732,394)</u>	<u>(416,767)</u>
Other Financing Sources (Uses)					
Transfers In	2,265	0	0	0	761,473
Transfers Out	(761,473)	0	0	0	(2,265)
<i>Total Other Financing Sources (Uses)</i>	<u>(759,208)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>759,208</u>
<i>Net Change in Fund Balances</i>	(414,210)	172,181	(189,237)	(35,732,394)	342,441
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(1,123,787)</u>	<u>3,189,309</u>	<u>(145,296)</u>	<u>57,566,391</u>	<u>1,412,074</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,537,997)</u>	<u>\$3,361,490</u>	<u>(\$334,533)</u>	<u>\$21,833,997</u>	<u>\$1,754,515</u>

See accompanying notes to the basic financial statements

Maple Heights City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Total Governmental Funds	Net Change in Fund Balances -Total Governmental Funds	(\$35,821,219)
	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
\$17,561,717	Governmental funds report capital outlays as expenditures. However, in	
27,811,895	the statement of activities, the cost of those assets is allocated over	
282,266	their estimated useful lives as depreciation expense. This is the amount	
322,656	by which capital outlay exceeded depreciation in the current period.	
644,081	Capital Outlay	40,070,871
141,471	Current Year Depreciation	<u>(1,172,040)</u>
71,155	Total	38,898,831
<u>1,240,256</u>		
48,075,497	Governmental funds only report the disposal of capital assets to the extent	
	proceeds are received from the sale. In the statement of activities, a	
	gain or loss is reported for each disposal.	(2,347,303)
	Revenues in the statement of activities that do not provide current financial	
19,827,715	resources are not reported as revenues in the funds.	
3,621,701	Delinquent Property Taxes	1,034,446
1,411,480	Intergovernmental	<u>(1,969,102)</u>
877	Total	(934,656)
<u>194,758</u>		
1,556,113	Repayment of principal is an expenditure in the governmental funds,	
2,189,599	but the repayment reduces long-term liabilities in the statement	
56,373	of net assets.	
3,097,712	Certificates of Participation	100,000
1,895,630	General Obligation Bonds	<u>695,000</u>
440,172	Total	795,000
<u>4,228,820</u>		
1,345,689	Some expenses reported in the statement of activities do not	
39,044	require the use of current financial resources and therefore	
123,430	are not reported as expenditures in governmental funds.	
746,048	Accrued Interest	(7,132)
1,692,719	Annual Accretion	(644,273)
38,020,788	Issuance Cost	(23,743)
	Amortization of Premium	<u>164,228</u>
795,000	Total	(510,920)
<u>2,613,048</u>		
83,896,716	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.	(539,804)
<u>(35,821,219)</u>		
763,738	The internal service fund used by management to charge the cost	
(763,738)	of insurance is included in the statement of activities and not	
	on the governmental fund statement of revenues and expenditures.	<u>741,477</u>
<u>0</u>		
(35,821,219)	<i>Change in Net Assets of Governmental Activities</i>	<u>\$281,406</u>
60,898,691		
<u>\$25,077,472</u>		

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, 2012

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$15,037,720	\$14,394,224	\$14,257,691	(\$136,533)
Intergovernmental	20,995,321	21,172,968	20,973,970	(198,998)
Interest	445	449	445	(4)
Charges for Services	0	16,988	16,988	0
Tuition and Fees	638,695	644,099	638,045	(6,054)
Extracurricular Activities	17,188	346	183	(163)
Contributions and Donations	2,703	2,726	2,700	(26)
Miscellaneous	693,559	697,386	730,846	33,460
<i>Total Revenues</i>	<u>37,385,631</u>	<u>36,929,186</u>	<u>36,620,868</u>	<u>(308,318)</u>
Expenditures				
Current:				
Instruction:				
Regular	17,517,133	17,754,711	17,435,038	319,673
Special	3,222,450	3,001,898	3,001,898	0
Vocational	1,814,147	1,408,858	1,408,858	0
Student Intervention Services	194,758	194,758	194,758	0
Support Services:				
Pupil	1,615,411	1,601,270	1,601,270	0
Instructional Staff	1,742,447	1,742,447	1,742,447	0
Board of Education	54,293	54,293	54,293	0
Administration	3,856,449	3,165,250	3,165,250	0
Fiscal	1,650,166	1,650,166	1,650,166	0
Business	500,669	439,353	439,352	1
Operation and Maintenance of Plant	3,843,187	3,781,339	3,781,339	0
Pupil Transportation	1,466,435	1,396,547	1,396,546	1
Central	15,952	11,462	11,462	0
Operation of Non-Instructional Services	3,352	3,352	3,352	0
Extracurricular Activities	698,624	529,590	529,590	0
Food Service Operations	976	170	170	0
Capital Outlay	24,653	12,014	12,014	0
<i>Total Expenditures</i>	<u>38,221,102</u>	<u>36,747,478</u>	<u>36,427,803</u>	<u>319,675</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(835,471)</u>	<u>181,708</u>	<u>193,065</u>	<u>11,357</u>
Other Financing Sources (Uses)				
Transfers In	2,265	2,265	2,265	0
Transfers Out	(8,359)	(682,603)	(770,388)	(87,785)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,094)</u>	<u>(680,338)</u>	<u>(768,123)</u>	<u>(87,785)</u>
<i>Net Change in Fund Balance</i>	<u>(841,565)</u>	<u>(498,630)</u>	<u>(575,058)</u>	<u>(76,428)</u>
<i>Fund Balance Beginning of Year</i>	760,967	760,967	760,967	0
Prior Year Encumbrances Appropriated	158,483	158,483	158,483	0
<i>Fund Balance End of Year</i>	<u>\$77,885</u>	<u>\$420,820</u>	<u>\$344,392</u>	<u>(\$76,428)</u>

See accompanying notes to the basic financial statements

Maple Heights City School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2012

	<u>Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$819,631
Receivables:	
Accounts	<u>387,284</u>
<i>Total Assets</i>	<u>1,206,915</u>
Liabilities	
Claims Payable	<u>360,240</u>
Net Assets	
Unrestricted	<u><u>\$846,675</u></u>

See accompanying notes to the basic financial statements

Maple Heights City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2012*

	<u>Insurance</u>
Operating Revenues	
Charges for Services	\$5,042,124
Other	<u>16,790</u>
<i>Total Operating Revenues</i>	5,058,914
Operating Expenses	
Claims	<u>4,317,437</u>
<i>Change in Net Assets</i>	741,477
<i>Net Assets Beginning of Year</i>	<u>105,198</u>
<i>Net Assets End of Year</i>	<u><u>\$846,675</u></u>

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, 2012

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$4,654,840
Cash Received from Other Sources	16,790
Cash Payments for Purchased Services	(610)
Cash Payments for Claims	(4,329,656)
<i>Net Cash Provided by Operating Activities</i>	341,364
<i>Cash and Cash Equivalents Beginning of Year</i>	478,267
<i>Cash and Cash Equivalents End of Year</i>	\$819,631
 <i>Reconciliation of Operating Income</i>	
<i>to Net Cash Provided by Operating Activities</i>	
<i>Operating Income</i>	\$741,477
Adjustments	
Increase in Accounts Receivable	(387,284)
Decrease in Liabilities:	
Accounts Payable	(610)
Claims Payable	(12,219)
<i>Total Adjustments</i>	(400,113)
<i>Net Cash Provided by Operating Activities</i>	\$341,364

See accompanying notes to the basic financial statements

Maple Heights City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$1,487,043</u></u>
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Liabilities

Due to Students	<u><u>\$1,487,043</u></u>
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See accompanying notes to the basic financial statements

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 129 non-certificated employees, 248 certificated full-time teaching personnel, and 31 administrative employees to provide services to 3,797 students and other community members. The School District operates 3 elementary schools (K-6), 1 middle school (7-8), and 1 high school (9-12).

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

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

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the basic financial statements of the School District are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in two jointly governed organizations, the Northeast Ohio Network for Educational Technology and Ohio Schools Council. These organizations are presented in Note 17 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 accounts for and reports property tax and intergovernmental revenues restricted for various acquisition or construction of capital facilities and other capital assets within the School District.

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

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

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

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

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

Measurement Focus

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

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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

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

Budgetary Data

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

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

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

Cash and Cash Equivalents

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

During fiscal year 2012, investments were limited to Federal Home Loan Bank Notes, Federal Farm Credit Bank Notes, and STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2012.

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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 2012 amounted to \$14,154, which includes \$10,991 assigned from other School District funds.

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are reported as cash equivalents.

Inventory

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

Capital Assets

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

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

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

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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Interfund Balances

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

Compensated Absences

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

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

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

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

Operating Revenues and Expenses

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

Accrued Liabilities and Long-term Obligations

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

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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Net Assets

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

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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Extraordinary and Special Items

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

Estimates

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

Internal Activity

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

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

Bond Issuance Costs

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

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

Bond Premiums

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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 3 – Change in Accounting Principle

For fiscal year 2012, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination.” GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the School District’s financial statements.

Note 4 – Accountability

Accountability

At June 30, 2012, the following funds had deficit fund balances:

Fund	Fund Balance
<i>Major Fund:</i>	
General	(\$1,537,997)
<i>Capital Projects Fund:</i>	
Building	(334,533)

The deficit in the building capital projects fund is a result of the issuance of short-term bond anticipation notes, which are used to finance various projects within the School District until bonds are issued. The general fund is liable for any deficit in other funds and provides transfers when cash is required, rather than when accruals occur.

The School District is addressing the general fund and building fund deficits by reducing expenditures in the next fiscal year.

Note 5 – Budgetary Basis of Accounting

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

3. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).
4. Investments reported at cost (budget basis) rather than fair value (GAAP basis).
5. Budgetary revenues and expenditures of the uniform school supplies, public school support, and elementary sports program funds are reclassified to the general fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

GAAP Basis	(\$414,210)
Net Adjustment for Revenue Accruals	(171,360)
Net Adjustment for Expenditure Accruals	(28,637)
Beginning Fair Value Adjustment for Investments	(13,709)
Ending Fair Value Adjustment for Investments	46,523
Excess of Revenues and Other Financing Sources and Over (Under) Expenditures and Other Financing Uses:	
Uniform School Supplies	191
Public School Support	24,424
Elementary Sports Program	1,662
Adjustments for Encumbrances	(19,942)
Budget Basis	(\$575,058)

Note 6 – 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.

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$14,666,781 of the School District's bank balance of \$20,523,674 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Investments

Investments are reported at fair value and all mature in less than a year. As of June 30, 2012, the School District had the following investments:

Investment Type	Fair Value
Federal Home Loan Bank Notes	\$10,028,010
Federal Farm Credit Bank Notes	999,300
STAR Ohio	1,640,301
Total Investments	\$12,667,611

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

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

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

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2012:

Investment Issuer	Percentage of Investments
Federal Home Loan Bank Notes	79.17 %
Federal Farm Credit Bank Notes	7.89

Note 7 – 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.

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in calendar year 2012 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, 2012, are available to finance fiscal year 2012 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, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012, was \$2,102,477 in the general fund, \$17,782 in the classroom facilities maintenance special revenue fund, \$480,837 in the bond retirement fund, and \$35,565 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2011, was \$2,395,842 in the general fund, \$20,128 in the classroom facilities maintenance special revenue fund, \$542,123 in the bond retirement fund, and \$40,255 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$391,110,970	97.71 %	\$387,308,830	97.93 %
Public Utility	7,892,130	1.97	8,203,350	2.07
Tangible Personal Property	1,257,620	0.32	0	0
	<u>\$400,260,720</u>	<u>100.00 %</u>	<u>\$395,512,180</u>	<u>100.00 %</u>

Full Tax rate per \$1,000 of assessed valuation	\$74.20	\$74.20
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Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 8 – Receivables

Receivables at June 30, 2012, consisted of taxes, accounts (rent, student fees and tuition), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except OSFC monies and delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected in one year.

A summary of the principal items of intergovernmental receivable follows:

<u>Governmental Activities</u>	<u>Amount</u>
Ohio School Facilities Commission	\$702,615
Title I Grants	257,771
Miscellaneous Federal Grants	176,236
Miscellaneous	170,253
Title VI-B Grants	110,804
Race To The Top Grant	74,933
Early Childhood Education Grant	60,222
Title I School Improvement Grant	54,769
Alternative Education Grant	<u>600</u>
Total Governmental Activities	<u><u>\$1,608,203</u></u>

Note 9 – Contingencies

Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

Litigation

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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 2012, the School District contracted for the following insurance coverage:

Company	Type of Coverage	Coverage Amount
NGM Insurance	Treasurer's Bond	\$250,000
Ohio Casualty	Builder's Risk	100,642,071
	Blanket Property	26,847,493
	General Liability, in aggregate	2,000,000
	General Liability, per occurrence	1,000,000
	Medical Expense, any one person	5,000
	Damage to Rented Premises	300,000
	Uninsured Motorist	500,000
	Blanket Bond	1,000,000
	Aggregate limit on premises	10,000
	Aggregate limit for messenger	10,000
	Employee Dishonesty	300,000
Travelers Insurance	Boiler and Machinery	50,000,000
Western Surety	Business Manager	25,000

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

Workers' Compensation

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

Self-Insurance

Medical insurance is offered to employees through a self-insurance internal service fund. The School District's monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. A specific excess loss coverage (stop-loss) insurance policy covers claims in excess of \$85,000 per employee, per year. The claims liability of \$360,240 reported in the internal service fund at June 30, 2012, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2011	\$363,240	\$4,203,326	\$4,194,107	\$372,459
2012	372,459	4,317,437	4,329,656	360,240

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,220,608	\$0	\$0	\$1,220,608
Construction in Progress	52,342,037	39,609,876	(60,925,935)	31,025,978
<i>Total Capital Assets, not being depreciated</i>	<u>53,562,645</u>	<u>39,609,876</u>	<u>(60,925,935)</u>	<u>32,246,586</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	19,430,175	60,925,935	(5,752,927)	74,603,183
Furniture and Equipment	2,117,517	460,995	(506,429)	2,072,083
Vehicles	1,764,111	0	0	1,764,111
<i>Total Capital Assets, being depreciated</i>	<u>23,311,803</u>	<u>61,386,930</u>	<u>(6,259,356)</u>	<u>78,439,377</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(8,637,775)	(962,313)	3,554,519	(6,045,569)
Furniture and Equipment	(1,520,580)	(72,207)	357,534	(1,235,253)
Vehicles	(1,397,206)	(137,520)	0	(1,534,726)
<i>Total Accumulated Depreciation</i>	<u>(11,555,561)</u>	<u>(1,172,040)</u>	<u>3,912,053</u>	<u>(8,815,548)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>11,756,242</u>	<u>60,214,890</u>	<u>(2,347,303)</u>	<u>69,623,829</u>
Governmental Activities Capital Assets, Net	<u>\$65,318,887</u>	<u>\$99,824,766</u>	<u>(\$63,273,238)</u>	<u>\$101,870,415</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$310,492
Support Services:	
Instructional Staff	31,699
Board of Education	6,423
Administration	15,551
Business	75,844
Operation and Maintenance of Plant	94,672
Pupil Transportation	248,348
Extracurricular Activities	363,724
Food Service Operations	25,287
Total Depreciation Expense	<u>\$1,172,040</u>

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 12 – Defined Benefit Pension Plans

School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$652,177, \$656,951, and \$814,127, respectively. For fiscal year 2012, 71.69 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

State Teachers Retirement System

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

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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$2,327,728 and \$46,768 for the fiscal year ended June 30, 2012, \$2,345,770 and \$47,520 for the fiscal year ended June 30, 2011, and \$2,318,922 and \$47,200 for the fiscal year ended June 30, 2010. For fiscal year 2012, 81.85 percent has been contributed for the DB plan and 81.85 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2012 were \$21,237 made by the School District and \$15,169 made by the plan members. In addition, member contributions of \$33,406 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

Note 13 – Postemployment Benefits

School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$75,378.

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$103,622, \$189,715, and \$159,807, respectively. For fiscal year 2012, 71.69 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$38,514, \$42,276, and \$48,414, respectively. For fiscal year 2012, 71.69 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$178,221, \$184,099, and \$182,009, respectively. For fiscal year 2012, 81.85 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Note 14 – Employee Benefits

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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 15 – Short-Term Obligations

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

	Outstanding 6/30/11	Additions	Deletions	Outstanding 6/30/12
Capital Projects Fund - Building				
2011 Energy Conservation Notes 1.25%	\$2,711,000	\$0	(\$2,711,000)	\$0
2012 Energy Conservation Notes 1.25%	0	2,611,000	0	2,611,000
Total Notes	<u>\$2,711,000</u>	<u>\$2,611,000</u>	<u>(\$2,711,000)</u>	<u>\$2,611,000</u>

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 2012 energy conservation bond anticipation notes were issued to refinance 2011 energy conservation notes. Originally these notes were issued to replace heating systems at Dunham and Raymond Elementary Schools, lighting systems and steam traps in all School District buildings and exterior windows at Rockside Elementary.

Note 16 – Long-Term Obligations

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

	Amount Outstanding 6/30/11	Additions	Reductions	Amount Outstanding 6/30/12	Amount Due in One Year
Certificates of Participation:					
2008 Certificates of Participation	\$3,165,000	\$0	(\$100,000)	\$3,065,000	\$105,000
Premium	82,862	0	(4,603)	78,259	0
<i>Total Certificates of Participation</i>	<u>3,247,862</u>	<u>0</u>	<u>(104,603)</u>	<u>3,143,259</u>	<u>105,000</u>
General Obligation Bonds:					
2010 School Facilities Improvement					
Serial Bonds	53,010,000	0	(695,000)	52,315,000	0
Premium	4,150,234	0	(159,625)	3,990,609	0
Capital Appreciation Bonds	2,044,932	0	0	2,044,932	589,957
Accretion	808,130	644,273	0	1,452,403	0
<i>Total General Obligation Bonds</i>	<u>60,013,296</u>	<u>644,273</u>	<u>(854,625)</u>	<u>59,802,944</u>	<u>589,957</u>
Other Long-term Obligation:					
Compensated Absences	2,215,098	684,652	(144,848)	2,754,902	103,053
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$65,476,256</u>	<u>\$1,328,925</u>	<u>(\$1,104,076)</u>	<u>\$65,701,105</u>	<u>\$798,010</u>

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

The 2010 school facilities improvement general obligation bonds were issued to retire the school facilities improvement notes, which were originally issued for the construction of new elementary, middle, and high school buildings in the School District. These bonds include serial and capital appreciation bonds in the amount of \$52,315,000 and \$2,044,932, respectively. The bonds will be paid from the classroom facilities capital projects fund. The bonds will mature on July 15, 2037.

Interest on the capital appreciation bonds will be accreted annually until the point of maturity of the capital appreciation bonds, which is 2013 through 2020. The final maturity amount of outstanding capital appreciation bonds at June 30, 2012, is \$8,640,000. The accretion recorded for 2012 was \$644,273, for a total outstanding bond liability of \$3,497,335.

Compensated absences will be paid from the general fund and the food service special revenue fund.

The School District's overall debt margin was \$35,596,096 with an unvoted debt margin of \$395,512 at June 30, 2012. Principal and interest requirements to retire the debt outstanding at June 30, 2012 are as follows:

Fiscal Year	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Accretion
Ending				
2013	\$0	\$2,565,538	\$589,957	\$215,043
2014	0	2,557,538	311,296	528,704
2015	0	2,557,538	256,209	618,791
2016	0	2,557,538	226,723	753,277
2017	0	2,557,538	185,542	829,458
2018-2022	3,205,000	12,725,400	475,205	3,649,795
2023-2027	10,665,000	11,253,225	0	0
2028-2032	15,845,000	8,143,001	0	0
2033-2037	22,600,000	3,548,001	0	0
Totals	<u>\$52,315,000</u>	<u>\$48,465,317</u>	<u>\$2,044,932</u>	<u>\$6,595,068</u>

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Fiscal Year	Certificates of Participation	
Ending	Principal	Interest
2013	\$105,000	\$168,888
2014	110,000	164,187
2015	115,000	159,406
2016	120,000	154,337
2017	125,000	148,900
2018-2022	720,000	640,156
2023-2027	960,000	393,900
2028-2029	810,000	59,100
Totals	\$3,065,000	\$1,888,874

Note 17 – Jointly Governed Organizations

Northeast Ohio Network for Educational Technology

The Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Information Technology Center (ITC) used by the School District. NEONET is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs NEONET. 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 2012, the School District paid \$97,947 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 161 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2012, the School District paid \$121,216 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director at the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 143 participants in the program including the 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. In September/October 2009, 110 school districts joined a new OSC electricity discount program, Energy for Education III. The Energy for Education III Program provides a fixed price rate for electricity supplied by Duke Retail Energy Sales, Inc. of \$0.051 per kwh for the generation of electricity which cannot be increased until June 2011 meter reading. School districts are not charged a fee by OSC to participate in this program. School districts pay the utility (Ohio Edison, Toledo Edison or Cleveland Electric Illuminating Co.) directly and receive a discount for the fixed price of generation.

Note 18 – Interfund Transfers

Transfers made during the fiscal year ended June 30, 2012, were as follows:

Transfers To	Transfers From		Total
	General Fund	Other Governmental Funds	
General	\$0	\$2,265	\$2,265
<i>Special Revenue Funds:</i>			
Lunchroom	16,020	0	16,020
Athletics and Music	87,785	0	87,785
Auxiliary Services	72	0	72
Public Preschool	57,649	0	57,649
Alternative Education	171	0	171
Race To The Top	50,160	0	50,160
Title VI-B	127,645	0	127,645
Carl Perkins	45,007	0	45,007
Title I School Improvement	21,069	0	21,069
Title I	245,215	0	245,215
Preschool	16,166	0	16,166
Miscellaneous Federal Grants	94,514	0	94,514
Total	\$761,473	\$2,265	\$763,738

The transfers are to move unrestricted balances to support programs and projects accounted for in other funds. The transfer-in to the general fund was made to move the unexpended balance of a non-major special revenue fund no longer utilized. This transfer was made after the payment of all obligations incurred and payable from this fund.

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 19 – 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 Reserve Balance as of June 30, 2011	\$0
Current Year Set-Aside Requirement	650,091
Offsets During the Fiscal Year	(446,289)
Qualifying Disbursements	(508,197)
Totals	(\$304,395)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Reserve Balance as of June 30, 2012	\$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 20 – Significant Commitments

Contractual Commitments

At June 30, 2012, the School District had the following outstanding contractual commitments for the new school buildings:

Contractor	Contract Outstanding
Giambrone Construction and Masonry	\$4,446,035
Zenith Systems	1,155,120
Castle Heating and Air	1,073,037
SoundCom Systems	302,707
Soehnlén Piping Company	289,859
Marous Brothers Construction	285,209
Reliance Mechanical, LLC	282,547
The Albert M. Higley Company	257,975
C&T Design	250,133
Platform Cement	236,103
E. B. Katz Company	96,577
R. M. Riggle Enterprises, LLC	83,142
The John F. Gallagher Company	37,930
Stafford Smith	27,107

The amount of \$1,377,599 in contracts payable has been capitalized at June 30, 2012.

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Encumbrances

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

General Fund	\$19,942
Building Fund	2,227
Classroom Facilities Fund	11,148,321
Nonmajor Funds	209,340
	<u>209,340</u>
Total	<u>\$11,379,830</u>

Note 21 – Fund Balances

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

Fund Balances	General	Bond Retirement	Building	Classroom Facilities	Other Governmental	Total
<u>Restricted for:</u>						
Debt Service	\$0	\$3,361,490	\$0	\$0	\$0	\$3,361,490
Capital Projects	0	0	0	21,833,997	0	21,833,997
Special Education	0	0	0	0	255,355	255,355
Training and Development	0	0	0	0	1,685	1,685
Alternative Education	0	0	0	0	600	600
Food Service	0	0	0	0	392,007	392,007
Instruction	0	0	0	0	1,104,868	1,104,868
<i>Total Restricted</i>	<u>0</u>	<u>3,361,490</u>	<u>0</u>	<u>21,833,997</u>	<u>1,754,515</u>	<u>26,950,002</u>
<u>Assigned to:</u>						
Other Purposes	59,005	0	0	0	0	59,005
Unassigned (Deficit)	<u>(1,597,002)</u>	<u>0</u>	<u>(334,533)</u>	<u>0</u>	<u>0</u>	<u>(1,931,535)</u>
Total Fund Balances	<u>(\$1,537,997)</u>	<u>\$3,361,490</u>	<u>(\$334,533)</u>	<u>\$21,833,997</u>	<u>\$1,754,515</u>	<u>\$25,077,472</u>

Note 22 – Subsequent Event

In a Special Meeting on October 29, 2012, the Treasurer recommended that the Board of Education adopt Resolution No. 12-62. This resolution provides for the issuance and sale of bonds in a maximum aggregate principal amount not to exceed \$8,255,000 in order to advance refund a portion of the School District's outstanding \$55,734,932 School Facilities Improvement Bonds, authorizing the execution of an escrow agreement and other agreements.

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Board of Education
Maple Heights City School District
Maple Heights, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Maple Heights City School District (the “District”) as of and for the year ended June 30, 2012, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses as items 2012-1 and 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2012-3.

We noted certain other matters that we reported to management of the District in a separate letter dated December 29, 2012.

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

This report is intended solely for the information and use of management, the Board of Education, finance committee, others within the entity, the Auditor of State's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cimini & Panichi, Inc.

Cleveland, Ohio
December 29, 2012

**Independent Auditor's Report on Compliance with Requirements That Could
Have a Direct and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance with OMB Circular A-133**

Board of Education
Maple Heights City School District
Maple Heights, Ohio

Compliance

We have audited Maple Heights City School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 29, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the District's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the District's compliance but not to provide an opinion on the effectiveness of the District's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.



Cleveland, Ohio
December 29, 2012

Maple Heights City School District

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Year	Receipts	Non-cash Receipts	Disbursements	Non-cash Disbursements
U.S. Department of Agriculture:						
Passed-Through Ohio Department of Education:						
Nutrition Cluster:						
National School Breakfast Program	10.553	2012	\$ 370,815	\$ -	\$ 370,815	\$ -
National School Lunch Program	10.555	2012	<u>1,012,011</u>	<u>128,151</u>	<u>1,012,011</u>	<u>107,460</u>
Total Nutrition Cluster			<u>1,382,826</u>	<u>128,151</u>	<u>1,382,826</u>	<u>107,460</u>
Fresh Fruit and Vegetable Program	10.579	2012	<u>17,415</u>	<u>-</u>	<u>17,415</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,400,241</u>	<u>128,151</u>	<u>1,400,241</u>	<u>107,460</u>
U.S. Department of Education:						
Passed-Through Ohio Department of Education:						
Special Education Cluster:						
ARRA-Title VI-B	84.391	2011	17,793	-	27,679	-
Title VI-B	84.027	2011	94,658	-	17,494	-
Title VI-B	84.027	2012	<u>653,100</u>	<u>-</u>	<u>724,771</u>	<u>-</u>
Subtotal Title VI-B			<u>765,551</u>	<u>-</u>	<u>769,944</u>	<u>-</u>
Special Education – Preschool	84.173	2012	29,700	-	29,700	-
ARRA – Preschool	84.392	2011	<u>1,629</u>	<u>-</u>	<u>510</u>	<u>-</u>
Subtotal Special Education – Preschool			<u>31,329</u>	<u>-</u>	<u>30,210</u>	<u>-</u>
Total Special Education Cluster			<u>796,880</u>	<u>-</u>	<u>800,154</u>	<u>-</u>
Title I – Disadvantaged Children	84.010	2011	338,752	-	280,332	-
Title I – Disadvantaged Children	84.010	2012	<u>1,216,686</u>	<u>-</u>	<u>1,440,611</u>	<u>-</u>
ARRA – Title I – Disadvantaged Children	84.389	2011	<u>101,599</u>	<u>-</u>	<u>66,690</u>	<u>-</u>
Total Title I – Disadvantaged Children Cluster			<u>1,657,037</u>	<u>-</u>	<u>1,787,633</u>	<u>-</u>
Title III – Limited English Proficiency	84.365	2011	3,925	-	2,265	-
Title III – Limited English Proficiency	84.365	2012	<u>2,096</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Title III – Limited English Proficiency			<u>6,021</u>	<u>-</u>	<u>2,265</u>	<u>-</u>
21st Century Community Learning Centers	84.287	2011	112,486	-	107,712	-
21st Century Community Learning Centers	84.287	2012	<u>161,239</u>	<u>-</u>	<u>171,021</u>	<u>-</u>
Total 21st Century Community Learning Centers			<u>273,725</u>	<u>-</u>	<u>278,733</u>	<u>-</u>
Title II-A – Improving Teacher Quality	84.367	2011	-	-	4,939	-
Title II-A – Improving Teacher Quality	84.367	2012	<u>247,044</u>	<u>-</u>	<u>293,206</u>	<u>-</u>
Total Title II-A – Improving Teacher Quality			<u>247,044</u>	<u>-</u>	<u>298,145</u>	<u>-</u>
Title II-D – Educational Technology State Grants	84.318	2011	45,587	-	43,446	-
Title II-D – Educational Technology State Grants	84.318	2012	<u>9,887</u>	<u>-</u>	<u>9,887</u>	<u>-</u>
ARRA - Title II-D – Educational Technology State Grants	84.386	2011	<u>44,453</u>	<u>-</u>	<u>23,673</u>	<u>-</u>
Total Title II-D – Educational Technology State Grants			<u>99,927</u>	<u>-</u>	<u>77,006</u>	<u>-</u>
Education Jobs Fund	84.410	2011	189,733	-	122,762	-
Education Jobs Fund	84.410	2012	<u>24,665</u>	<u>-</u>	<u>24,665</u>	<u>-</u>
Total Education Jobs Fund			<u>214,398</u>	<u>-</u>	<u>147,427</u>	<u>-</u>

(Continued)

The accompanying notes are an integral part of this schedule

Maple Heights City School District

Schedule of Expenditures of Federal Awards (continued)

For the Year Ended June 30, 2012

U.S. Department of Education (continued):

Passed-Through Ohio Department of Education:

Race to the Top	84.395	2011	15,054	-	11,037	-
Race to the Top	84.395	2012	<u>77,147</u>	<u>-</u>	<u>122,219</u>	<u>-</u>
Total Race to the Top			<u>92,201</u>	<u>-</u>	<u>133,256</u>	<u>-</u>

ARRA – Race to the Top Fund	84.395A	2012	<u>24,327</u>	<u>-</u>	<u>22,472</u>	<u>-</u>
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Total U.S. Department of Education			<u>3,411,560</u>	<u>-</u>	<u>3,547,091</u>	<u>-</u>
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Passed-Through Bedford City School District:

Career and Technical Education	84.048	2010	-	-	315	-
Career and Technical Education	84.048	2011	49,400	-	31,947	-
Career and Technical Education	84.048	2012	<u>33,167</u>	<u>-</u>	<u>39,750</u>	<u>-</u>
Total Career and Technical Education			<u>82,567</u>	<u>-</u>	<u>72,012</u>	<u>-</u>

Total Expenditures of Federal Awards			\$ <u>4,894,368</u>	\$ <u>128,151</u>	\$ <u>5,019,344</u>	\$ <u>107,460</u>
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The accompanying notes are an integral part of this schedule

Maple Heights City School District

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal awards of the Maple Heights City School District (the "District") and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Child Nutrition Cluster

Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed that federal monies are expended first.

Food Donation Program

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

Matching Requirements

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

Maple Heights City School District

Schedule of Findings
OMB Circular A-133 Section .505

For the Year Ended June 30, 2012

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(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)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs	Title I Cluster: CFDA # 84.010, 84.389 Child Nutrition Cluster: CFDA # 10.553, 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

Maple Heights City School District

Schedule of Findings (Continued)
OMB Circular A-133 Section .505

For the Year Ended June 30, 2012

Findings	Findings Summary
2012-1	<p><i>Financial Reporting – Material weakness</i></p> <p>Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.</p> <p>The following audit adjustments were made to the financial statements, and where applicable, to the District’s accounting records:</p> <ol style="list-style-type: none"> 1. Decrease contracts payable for amounts that were not originally recorded. 2. Decreased construction in progress and increase buildings for the items that were incorrectly recorded as construction in progress at year-end. Also, increased the related depreciation expense not originally recorded. <p>The lack of controls over the posting of year-end financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.</p> <p>We recommend the District adopts policies and procedures for controls over recording of year-end financial transactions and over financial report to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data at year-end. Although the District has contracted a third party to perform their GAAP Conversion, the District’s management needs to review the statements to be sure that all items are being properly recorded.</p> <p>Officials Response: Management will develop a process to oversee the GAAP conversion process more closely and have better communication with them.</p>
2012-2	<p><i>Payroll – Material Weakness</i></p> <p>During our internal control testing over payroll expenditures, we noted that we were not provided timecards for 3 out of 120 transactions tested. We also noted that for 5 out of 120 transactions tested, we were not provided adequate support showing approval of time off taken during the period tested.</p> <p>Inaccurate payroll information could result in material misstatements in the financial statements or in the District paying employees for time not earned or making excess payments at the time of retirement or separation. We recommend that management create and implement formal policies and procedures addressing the managing, review and approval of District payroll information.</p> <p>Officials Response: The District will develop and implement policies and procedures to ensure proper managing, review and approval of District payroll information.</p>

Maple Heights City School District

Schedule of Findings (Continued)
OMB Circular A-133 Section .505

For the Year Ended June 30, 2012

2012-3	<p><i>Fund Deficit – Material Noncompliance</i></p> <p>At June 30, 2012, the following funds had deficit fund balances:</p> <p>Major Funds:</p> <table><tr><td> General</td><td style="text-align: right;">\$ (1,537,997)</td></tr><tr><td>Capital Projects Fund:</td><td></td></tr><tr><td> Building</td><td style="text-align: right;">(334,533)</td></tr></table> <p>Officials Response: The deficit in the building capital projects fund is a result of the issuance of short-term bond anticipation notes, which are used to finance various projects within the School District until bonds are issued. The general fund is liable for any deficit in other funds and provides transfers when cash is required, rather than when accruals occur. The School District is addressing the general fund and building fund deficits by reducing expenditures in the next fiscal year.</p>	General	\$ (1,537,997)	Capital Projects Fund:		Building	(334,533)
General	\$ (1,537,997)						
Capital Projects Fund:							
Building	(334,533)						

3. Findings for Federal Awards

None.



Dave Yost • Auditor of State

MAPLE HEIGHTS CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 28, 2013