



Dave Yost • Auditor of State

**MAPLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Maple Heights City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Maple Heights City School District, Cuyahoga County, Ohio, as of June 30, 2014, and the respective changes in financial position, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

February 25, 2015

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Maple Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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, 2014. 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 2014 are as follows:

- Total net position decreased by \$2.7 million. Total liabilities decreased by \$2.6 million while total assets decreased by \$8.1 million. The decrease in assets for fiscal year 2014 was primarily due to the expending of cash in connection with contracts entered into by the School District for the building and equipping of classroom facilities. Although new facilities were capitalized, a significant portion of this increase to capital assets was offset by a decrease in capital assets due to the deletion of the old buildings.
- Total revenue increased from \$46.6 million in fiscal year 2013 to \$47.6 million in fiscal year 2014. The increase in revenue was due primarily to receiving more in property taxes and operating grants and contributions.
- Grants and entitlements not restricted to specific programs increased by nearly \$1 million from the prior fiscal year mainly due to increases in State funding related to poverty based assistance.

During fiscal year 2014, the School District was self insured for medical insurance benefits provided to School District employees. In the past, the School District experienced double digit percentage increases for employee benefits without the means to generate the revenue necessary to meet these increases. In an effort to curtail future double-digit percentage increases of employee benefits, the School District became self insured in fiscal year 2008 for purposes of cost containment. In addition, the School District has purchased stop loss insurance. The School District has also established an active Health Care Committee that will review any health insurance increases to the School District exceeding five percent and will discuss ways to offset those costs by either changing the benefits or increasing employee contributions.

The School District's five-year forecast was registered as required with the Ohio Department of Education in October, 2014, and is located on the School District's website. The largest source of revenue for the School District is the State Foundation revenue. The five-year forecast includes projected revenue for fiscal years 2015 through 2019. State funding for these fiscal years can only be estimated until the State's budget is set for those years.

The forecast also reflects the fact that all employees are taking a three year step and wage freeze that carries through fiscal year 2015.

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.

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

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2014. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, all of the School District activities are reported as governmental activities, including instruction, support services, non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

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

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013:

Table 1
Net Position
Governmental Activities

	2014	2013	Change
Assets			
Current and Other Assets	\$33,027,577	\$40,525,430	(\$7,497,853)
Capital Assets, Net	101,957,035	102,552,139	(595,104)
<i>Total Assets</i>	<u>134,984,612</u>	<u>143,077,569</u>	<u>(8,092,957)</u>
Deferred Outflows of Resources	<u>1,278,160</u>	<u>1,345,432</u>	<u>(67,272)</u>
Liabilities			
Current and Other Liabilities	8,355,060	10,578,459	2,223,399
Long-Term Liabilities:			
Due Within One Year	1,309,466	697,481	(611,985)
Due in More than One Year	65,123,252	66,120,934	997,682
<i>Total Liabilities</i>	<u>74,787,778</u>	<u>77,396,874</u>	<u>2,609,096</u>
Deferred Inflows of Resources	<u>10,944,707</u>	<u>13,839,117</u>	<u>2,894,410</u>
Net Position			
Net Investment in Capital Assets	43,038,812	42,971,102	67,710
Restricted:			
Capital Projects	5,441,733	6,821,359	(1,379,626)
Debt Service	0	141,532	(141,532)
Other Purposes	1,949,154	1,858,333	90,821
Unrestricted (Deficit)	100,588	1,394,684	(1,294,096)
<i>Total Net Position</i>	<u>\$50,530,287</u>	<u>\$53,187,010</u>	<u>(\$2,656,723)</u>

Total assets decreased from the prior fiscal year due to a sharp decrease in cash and cash equivalents as well as accounts and intergovernmental receivables. The decrease in cash and cash equivalents is due to expenditures outpacing revenues during the fiscal year. The decrease in accounts receivable was due to not having a large E-Rate receivable as in the prior fiscal year. The decrease in intergovernmental

Maple Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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receivable is largely due to not having a workers' compensation reimbursement and Ohio School Facilities Commission (OSFC) receivable as in the prior fiscal year. Total liabilities for governmental activities decreased by \$2.6 million, primarily due to decreases in retainage and contracts payable due to the completion of the new school building. These factors led to a total decrease in net position of \$2.7 million.

Table 2 shows the change in net position for fiscal year 2014 compared to fiscal year 2013.

Table 2
Change in Net Position

	2014	2013	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$711,202	\$993,846	(\$282,644)
Operating Grants and Contributions	7,927,873	7,779,911	147,962
<i>Total Program Revenues</i>	<u>8,639,075</u>	<u>8,773,757</u>	<u>(134,682)</u>
General Revenues:			
Property Taxes	18,299,973	15,604,285	2,695,688
Grants and Entitlements not			
Restricted to Specific Programs	20,224,690	19,226,430	998,260
Investment Earnings	14,429	8,480	5,949
Contributions and Donations	12,515	9,745	2,770
Other	419,368	2,976,685	(2,557,317)
<i>Total General Revenues</i>	<u>38,970,975</u>	<u>37,825,625</u>	<u>1,145,350</u>
<i>Total Revenues</i>	<u>47,610,050</u>	<u>46,599,382</u>	<u>1,010,668</u>
Program Expenses			
Instruction	30,326,412	31,254,815	928,403
Support Services:			
Pupil and Instructional Staff	3,232,615	3,025,134	(207,481)
Board of Education, Administration			
Fiscal and Business	5,036,822	5,715,625	678,803
Operation and Maintenance of Plant	3,614,672	4,130,762	516,090
Pupil Transportation	1,232,235	1,530,448	298,213
Central	9,286	14,372	5,086
Operation of Non-Instructional Services	32,193	49,637	17,444
Extracurricular Activities	883,778	1,257,233	373,455
Food Services Operations	1,967,615	1,735,890	(231,725)
Interest and Fiscal Charges	3,931,145	2,575,550	(1,355,595)
<i>Total Program Expenses</i>	<u>50,266,773</u>	<u>51,289,466</u>	<u>1,022,693</u>
Net Change in Net Position	(2,656,723)	(4,690,084)	2,033,361
<i>Net Position Beginning of Year -</i>			
<i>Restated (See Note 3)</i>	<u>53,187,010</u>	<u>57,877,094</u>	<u>(4,690,084)</u>
<i>Net Position End of Year</i>	<u>\$50,530,287</u>	<u>\$53,187,010</u>	<u>(\$2,656,723)</u>

Maple Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Total revenue increased for governmental activities from \$46.6 million to \$47.6 million. The vast majority of revenue supporting governmental activities is general revenue. General revenue increased from \$37.8 million in fiscal year 2013 to \$39 million in fiscal year 2014. The primary source of the increase was in property taxes. Other revenues decreased significantly from the prior fiscal year due to the large amount of E-Rate money received in fiscal year 2013. General revenue comprised 81.85 percent of total revenue.

Property taxes made up 38.44 percent of revenues for governmental activities for the School District in fiscal year 2014. Overall, property tax revenue increased by \$2.7 million on a GAAP basis due to higher advances and delinquents owed to the School District, although actual property tax revenue decreased on a cash basis, which is the basis used for the School District's day-to-day operations.

Program expenses decreased from \$51.3 million in fiscal year 2013 to \$50.3 million in fiscal year 2014. The major program expense for governmental activities, as expected, is for instruction. Instructional costs were \$1 million lower than the prior fiscal year due to cost-saving measures. When combined with pupil and instructional staff support, these categories make up 66.76 percent of expenses.

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

Table 3
Governmental
Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Instruction	\$30,326,412	(\$24,928,265)	\$31,254,815	(\$25,391,429)
Support Services:				
Pupil and Instructional Staff	3,232,615	(2,698,845)	3,025,134	(2,591,921)
Board of Education, Administration				
Fiscal and Business	5,036,822	(4,749,583)	5,715,625	(5,618,923)
Operation and Maintenance of Plant	3,614,672	(3,559,222)	4,130,762	(4,049,759)
Pupil Transportation	1,232,235	(1,077,324)	1,530,448	(1,340,448)
Central	9,286	(7,295)	14,372	(14,372)
Operation of Non-Instructional Services	32,193	(2,016)	49,637	(37,359)
Extracurricular Activities	883,778	(721,093)	1,257,233	(1,078,081)
Food Service Operations	1,967,615	47,090	1,735,890	182,133
Interest and Fiscal Charges	3,931,145	(3,931,145)	2,575,550	(2,575,550)
<i>Total</i>	<u>\$50,266,773</u>	<u>(\$41,627,698)</u>	<u>\$51,289,466</u>	<u>(\$42,515,709)</u>

The dependence upon general tax revenues and unrestricted State entitlements for governmental activities is apparent. In fiscal year 2014, 36.41 percent of total expenses are supported through taxes, an increase from the 30.42 percent in fiscal year 2013. Grants and entitlements not restricted to specific programs in fiscal year 2014 support 40.23 percent, an increase from the 37.49 percent in fiscal year 2013. Investments, contributions and donations, and other miscellaneous type revenues support the remaining activity costs. In fiscal year 2014, program revenues only account for 17.19 percent of all governmental expenses, an increase from the 17.11 percent in fiscal year 2013. 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.

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Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. A review of the School District's major funds demonstrates a decrease in fund balance for all major funds, except for the general fund. All governmental funds had total revenues of \$46.5 million and expenditures of \$49.7 million. The net change in fund balance for the year was most significant in the building fund, where the fund deficit went from \$255,666 in fiscal year 2013 to a fund deficit of \$2.5 million in fiscal year 2014. The main reason for this decrease was due to capital outlays for the 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 2014, 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 \$35,246,408, below the original budget estimate of \$36,312,295, and below actual revenues of \$35,845,081. Actual revenues were \$598,673 higher than the final estimate. This was primarily due to intergovernmental and property tax revenues. The final estimated expenditures were \$38,364,283, above the original budgeted expenditures of \$37,866,794, and above actual expenditures of \$35,632,922. Actual expenditures were \$2,731,361 lower than the final estimate. This was primarily due to lower than expected debt service requirements in the general fund.

Total actual revenues on the budget basis were \$212,159 above expenditures (cash outlays plus encumbrances). After other financing sources and uses are included, the net change in fund balance was a decrease of \$395,615.

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Management's Discussion and Analysis
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Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2014 balances compared to fiscal year 2013. More detailed information is presented in Note 8 to the basic financial statements.

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

	2014	2013
Land	\$5,460,268	\$5,667,751
Land Improvements	1,104,873	1,168,301
Buildings and Improvements	93,800,182	92,816,496
Furniture and Equipment	1,372,143	2,615,742
Vehicles	219,569	283,849
Totals	\$101,957,035	\$102,552,139

The decrease in capital assets is due primarily to the addition of buildings being exceeded by a combination of deletions, primarily furniture and equipment, and depreciation.

Debt

Table 5 summarizes the debt outstanding for fiscal years 2014 and 2013. More detailed information is presented in Notes 15 and 16 to the basic financial statements.

Table 5
 Outstanding Debt at June 30
 Governmental Activities

	2014	2013
<i>Certificates of Participation:</i>		
2008 Certificates of Participation	\$2,919,053	\$3,033,656
<i>General Obligation Bonds:</i>		
2010 School Facilities Improvement Bonds	50,769,710	50,933,258
2013 School Facilities Refunding Bonds	9,813,262	10,007,610
<i>Short-Term Notes:</i>		
Energy Conservation Notes	2,411,000	2,511,000
Totals	\$65,913,025	\$66,485,524

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For the Fiscal Year Ended June 30, 2014
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The 2008 certificates of participation were issued to make renovations to the Wylie Athletic Complex.

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

The 2013 school facilities refunding bonds were issued to refund a portion of the 2010 school facilities improvement general obligation bonds, which were originally issued to retire the 2009 school facilities improvement note.

The 2014 energy conservation note was issued to refinance the 2013 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, 2014, the School District's overall legal debt margin was \$26,543,244 with an unvoted debt margin of \$294,925. 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.

The School District is maintaining its programs and using its resources wisely. As the preceding information shows, the School District heavily depends on its property taxpayers and support from unrestricted State entitlements, and continued stability in the Federal grant area. However, financially the future is not without challenges.

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

The School District has committed itself to financial excellence for many years. The School District's system of budgeting and internal controls is critical to the integrity of the use of public funds. All of the School District's financial abilities will be needed to meet the challenges of the future.

In a Committee of the Whole Board meeting on August 5, 2013, the Superintendent recommended that the Board of Education approve a contract for the construction of a new 5,000-seat athletic stadium. Details of this project were first announced at a special meeting on July 22, 2013. The School District was able to build the new stadium with the savings from the building project and the interest earned on its investments from the construction funds.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert J. Applebaum, Treasurer at Maple Heights City School District, 5740 Lawn Avenue, Maple Heights, Ohio 44137; or by e-mail at bob.applebaum@mapleschools.com.

Basic Financial Statements

Maple Heights City School District
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$10,927,087
Cash Equivalents Held by Trustee	338,718
Accounts Receivable	15,177
Intergovernmental Receivable	1,088,268
Inventory Held for Resale	33,994
Property Taxes Receivable	20,624,333
Nondepreciable Capital Assets	5,460,268
Depreciable Capital Assets, Net	96,496,767
<i>Total Assets</i>	134,984,612
Deferred Outflows of Resources	
Deferred Charge on Refunding	1,278,160
Liabilities	
Accounts Payable	393,613
Accrued Wages and Benefits	2,533,891
Contracts Payable	44,298
Retainage Payable	419,650
Intergovernmental Payable	964,872
Matured Compensated Absences Payable	183,002
Claims Payable	287,582
Accrued Interest Payable	1,117,152
Notes Payable	2,411,000
Long-Term Liabilities:	
Due Within One Year	1,309,466
Due In More Than One Year	65,123,252
<i>Total Liabilities</i>	74,787,778
Deferred Inflows of Resources	
Property Taxes	10,944,707
Net Position	
Net Investment in Capital Assets	43,038,812
Restricted for:	
Capital Projects	5,441,733
Special Education	78,476
Food Service	312,293
Classroom Maintenance	1,067,509
School Improvement	299,516
Student Development	103,468
Other Purposes	87,892
Unrestricted	100,588
<i>Total Net Position</i>	\$50,530,287

See accompanying notes to the basic financial statements

Maple Heights City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	
Governmental Activities				
Instruction:				
Regular	\$24,594,089	\$282,912	\$1,689,072	(\$22,622,105)
Special	4,551,180	59,182	3,044,589	(1,447,409)
Vocational	1,063,572	15,655	300,962	(746,955)
Adult/Continuing	6,928	0	4,069	(2,859)
Student Intervention Services	110,643	1,706	0	(108,937)
Support Services:				
Pupil	2,166,727	33,800	8,761	(2,124,166)
Instructional Staff	1,065,888	8,716	482,493	(574,679)
Board of Education	79,837	1,231	0	(78,606)
Administration	3,253,397	47,494	217,445	(2,988,458)
Fiscal	1,230,565	13,737	0	(1,216,828)
Business	473,023	7,332	0	(465,691)
Operation and Maintenance of Plant	3,614,672	55,450	0	(3,559,222)
Pupil Transportation	1,232,235	18,467	136,444	(1,077,324)
Central	9,286	112	1,879	(7,295)
Operation of Non-Instructional Services	32,193	126	30,051	(2,016)
Extracurricular Activities	883,778	128,920	33,765	(721,093)
Food Service Operations	1,967,615	36,362	1,978,343	47,090
Interest and Fiscal Charges	3,931,145	0	0	(3,931,145)
<i>Total</i>	<u>\$50,266,773</u>	<u>\$711,202</u>	<u>\$7,927,873</u>	<u>(41,627,698)</u>
General Revenues				
Property Taxes Levied for:				
				14,555,212
				120,572
				3,205,703
				418,486
Grants and Entitlements not				
				20,224,690
				14,429
				12,515
				419,368
				<u>38,970,975</u>
				(2,656,723)
				<u>53,187,010</u>
				<u>\$50,530,287</u>

See accompanying notes to the basic financial statements

Maple Heights City School District

*Balance Sheet
Governmental Funds
June 30, 2014*

	General	Bond Retirement	Building	Classroom Facilities
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$751,685	\$2,327,172	\$0	\$5,404,872
Property Taxes Receivable	16,411,634	3,785,499	286,224	0
Accounts Receivable	13,502	0	0	809
Intergovernmental Receivable	119,047	0	0	0
Interfund Receivable	105,046	0	0	500,000
Inventory Held for Resale	0	0	0	0
Restricted Assets:				
Cash Equivalents Held by Trustee	0	0	338,718	0
<i>Total Assets</i>	<u>\$17,400,914</u>	<u>\$6,112,671</u>	<u>\$624,942</u>	<u>\$5,905,681</u>
Liabilities				
Accounts Payable	\$89,834	\$0	\$0	\$0
Accrued Wages and Benefits	2,385,419	0	0	0
Intergovernmental Payable	929,721	0	0	0
Contracts Payable	0	0	0	44,298
Retainage Payable	0	0	0	419,650
Interfund Payable	0	0	518,215	0
Matured Compensated Absences Payable	183,002	0	0	0
Accrued Interest Payable	0	0	6,688	0
Notes Payable	0	0	2,411,000	0
<i>Total Liabilities</i>	<u>3,587,976</u>	<u>0</u>	<u>2,935,903</u>	<u>463,948</u>
Deferred Inflows of Resources				
Property Taxes	8,655,614	2,066,004	149,469	0
Unavailable Revenue	4,807,211	1,081,623	80,521	0
<i>Total Deferred Inflows of Resources</i>	<u>13,462,825</u>	<u>3,147,627</u>	<u>229,990</u>	<u>0</u>
Fund Balances				
Restricted	0	2,965,044	0	5,441,733
Assigned	348,448	0	0	0
Unassigned (Deficit)	1,665	0	(2,540,951)	0
<i>Total Fund Balances (Deficit)</i>	<u>350,113</u>	<u>2,965,044</u>	<u>(2,540,951)</u>	<u>5,441,733</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$17,400,914</u>	<u>\$6,112,671</u>	<u>\$624,942</u>	<u>\$5,905,681</u>

See accompanying notes to the basic financial statements

Maple Heights City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014*

Other Governmental Funds	Total Governmental Funds
\$1,405,076	\$9,888,805
140,976	20,624,333
866	15,177
969,221	1,088,268
0	605,046
33,994	33,994
<u>0</u>	<u>338,718</u>
<u>\$2,550,133</u>	<u>\$32,594,341</u>
223,820	\$313,654
148,472	2,533,891
35,151	964,872
0	44,298
0	419,650
86,831	605,046
0	183,002
0	6,688
<u>0</u>	<u>2,411,000</u>
<u>494,274</u>	<u>7,482,101</u>
73,620	10,944,707
978,778	6,948,133
<u>1,052,398</u>	<u>17,892,840</u>
1,443,528	9,850,305
0	348,448
(440,067)	(2,979,353)
<u>1,003,461</u>	<u>7,219,400</u>
<u>\$2,550,133</u>	<u>\$32,594,341</u>

Total Governmental Funds Balances	\$7,219,400
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	101,957,035
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	6,009,014
Intergovernmental	<u>939,119</u>
Total	6,948,133
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 position.	670,741
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(1,110,464)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Certificates of Participation	(2,850,000)
General Obligation Bonds	(44,000,000)
Refunding Bonds	(8,055,000)
Capital Appreciation Bonds	(1,193,381)
Accretion	(2,317,236)
Premium on Bonds and Certificates of Participation	(5,086,408)
Deferred Charge on Refunding	1,278,160
Compensated Absences	<u>(2,930,693)</u>
Total	<u>(65,154,558)</u>
<i>Net Position of Governmental Activities</i>	<u>\$50,530,287</u>

Maple Heights City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	Building	Classroom Facilities
Revenues				
Property Taxes	\$13,498,535	\$2,967,950	\$400,786	\$0
Intergovernmental	22,362,758	416,724	56,073	264,861
Interest	0	0	0	14,419
Charges for Services	7,269	0	0	0
Tuition and Fees	552,808	0	0	0
Extracurricular Activities	74,942	0	0	0
Contributions and Donations	40,727	0	0	0
Miscellaneous	216,468	0	0	173,995
<i>Total Revenues</i>	<u>36,753,507</u>	<u>3,384,674</u>	<u>456,859</u>	<u>453,275</u>
Expenditures				
Current:				
Instruction:				
Regular	18,284,626	0	0	0
Special	3,787,578	0	0	0
Vocational	1,029,295	0	0	0
Adult/Continuing	0	0	0	0
Student Intervention Services	110,643	0	0	0
Support Services:				
Pupil	2,186,064	0	0	0
Instructional Staff	580,299	0	0	0
Board of Education	79,837	0	0	0
Administration	3,101,717	0	0	0
Fiscal	887,863	71,387	283,559	0
Business	460,654	0	0	0
Operation and Maintenance of Plant	3,593,171	0	3,192	0
Pupil Transportation	1,193,444	0	7,500	0
Central	7,286	0	0	0
Operation of Non-Instructional Services	3,998	0	0	0
Extracurricular Activities	568,565	0	0	0
Food Service Operations	0	0	0	0
Capital Outlay	20,091	0	2,416,697	2,116,643
Debt Service:				
Principal Retirement	0	541,296	0	0
Interest and Fiscal Charges	0	2,284,685	31,196	0
Capital Appreciation Bonds Interest	0	528,704	0	0
<i>Total Expenditures</i>	<u>35,895,131</u>	<u>3,426,072</u>	<u>2,742,144</u>	<u>2,116,643</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>858,376</u>	<u>(41,398)</u>	<u>(2,285,285)</u>	<u>(1,663,368)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	536,774
Transfers Out	(607,774)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(607,774)</u>	<u>0</u>	<u>0</u>	<u>536,774</u>
<i>Net Change in Fund Balances</i>	250,602	(41,398)	(2,285,285)	(1,126,594)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>99,511</u>	<u>3,006,442</u>	<u>(255,666)</u>	<u>6,568,327</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$350,113</u>	<u>\$2,965,044</u>	<u>(\$2,540,951)</u>	<u>\$5,441,733</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, 2014*

Other Governmental Funds	Total Governmental Funds
\$111,855	\$16,979,126
5,261,763	28,362,179
10	14,429
36,410	43,679
800	553,608
38,973	113,915
5,553	46,280
28,905	419,368
<u>5,484,269</u>	<u>46,532,584</u>
1,751,190	20,035,816
783,721	4,571,299
102,775	1,132,070
6,928	6,928
0	110,643
9,350	2,195,414
468,309	1,048,608
0	79,837
236,081	3,337,798
0	1,242,809
0	460,654
61,231	3,657,594
0	1,200,944
2,000	9,286
28,195	32,193
123,348	691,913
1,933,999	1,933,999
0	4,553,431
0	541,296
0	2,315,881
0	528,704
<u>5,507,127</u>	<u>49,687,117</u>
<u>(22,858)</u>	<u>(3,154,533)</u>
71,000	607,774
0	(607,774)
<u>71,000</u>	<u>0</u>
48,142	(3,154,533)
<u>955,319</u>	<u>10,373,933</u>
<u>\$1,003,461</u>	<u>\$7,219,400</u>

Net Change in Fund Balances -Total Governmental Funds	(\$3,154,533)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
Capital Outlay	4,474,855
Current Year Depreciation	<u>(3,337,695)</u>
Total	1,137,160
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.	(1,732,264)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent Property Taxes	1,320,847
Intergovernmental	<u>(243,381)</u>
Total	1,077,466
Repayment of principal and capital appreciation bonds interest are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.	
Principal Retirement	541,296
Capital Appreciation Bonds Interest	<u>528,704</u>
Total	1,070,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Accrued Interest	(950,491)
Annual Accretion	(835,692)
Amortization of Premium	238,191
Loss on Refunding	<u>(67,272)</u>
Total	(1,615,264)
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.	(86,802)
The internal service fund used by management to charge the cost of insurance is included in the statement of activities and not on the governmental fund statement of revenues and expenditures.	<u>647,514</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>(\$2,656,723)</u></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, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$12,456,700	\$12,091,054	\$12,173,126	\$82,072
Intergovernmental	22,518,827	21,857,825	22,243,711	385,886
Charges for Services	7,359	7,143	7,269	126
Tuition and Fees	559,795	543,363	552,956	9,593
Contributions and Donations	12,670	12,298	12,515	217
Miscellaneous	756,944	734,725	855,504	120,779
<i>Total Revenues</i>	36,312,295	35,246,408	35,845,081	598,673
Expenditures				
Current:				
Instruction:				
Regular	16,973,263	18,242,871	18,242,871	0
Special	4,108,517	3,520,986	3,520,986	0
Vocational	1,219,276	1,081,625	1,081,625	0
Student Intervention Services	126,990	110,643	110,643	0
Support Services:				
Pupil	1,724,069	2,211,668	2,211,668	0
Instructional Staff	514,476	709,741	709,741	0
Board of Education	67,326	80,217	80,217	0
Administration	3,137,155	3,038,246	3,038,246	0
Fiscal	1,322,943	1,095,165	887,241	207,924
Business	459,179	461,031	461,031	0
Operation and Maintenance of Plant	3,833,607	3,585,733	3,585,733	0
Pupil Transportation	1,292,104	1,223,867	1,223,867	0
Central	3,448	16,016	8,374	7,642
Operation of Non-Instructional Services	1,840	3,998	3,998	0
Extracurricular Activities	452,155	446,590	446,590	0
Capital Outlay	32,474	20,091	20,091	0
Debt Service:				
Principal Retirement	2,511,000	2,511,000	0	2,511,000
Interest and Fiscal Charges	86,972	4,795	0	4,795
<i>Total Expenditures</i>	37,866,794	38,364,283	35,632,922	2,731,361
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,554,499)	(3,117,875)	212,159	3,330,034
Other Financing Sources (Uses)				
Energy Conservation Notes Issued	2,411,000	2,411,000	0	(2,411,000)
Transfers In	644,504	644,504	0	(644,504)
Transfers Out	(109,831)	(1,144,548)	(607,774)	536,774
<i>Total Other Financing Sources (Uses)</i>	2,945,673	1,910,956	(607,774)	(2,518,730)
<i>Net Change in Fund Balance</i>	1,391,174	(1,206,919)	(395,615)	811,304
<i>Fund Balance Beginning of Year</i>	1,189,613	1,189,613	1,189,613	0
Prior Year Encumbrances Appropriated	29,831	29,831	29,831	0
<i>Fund Balance End of Year</i>	\$2,610,618	\$12,525	\$823,829	\$811,304

See accompanying notes to the basic financial statements

Maple Heights City School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2014

	<u>Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,038,282</u>
Liabilities	
Accounts Payable	79,959
Claims Payable	<u>287,582</u>
<i>Total Liabilities</i>	<u>367,541</u>
Net Position	
Unrestricted	<u><u>\$670,741</u></u>

See accompanying notes to the basic financial statements

Maple Heights City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2014*

	Insurance
Operating Revenues	
Charges for Services	\$4,504,410
Other	15,856
<i>Total Operating Revenues</i>	<i>4,520,266</i>
Operating Expenses	
Purchased Services	1,910,968
Claims	1,961,784
<i>Total Operating Expenses</i>	<i>3,872,752</i>
<i>Change in Net Position</i>	<i>647,514</i>
<i>Net Position Beginning of Year</i>	<i>23,227</i>
<i>Net Position End of Year</i>	<i>\$670,741</i>

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, 2014

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$4,505,452
Cash Received from Other Sources	15,856
Cash Payments for Purchased Services	(1,831,470)
Cash Payments for Claims	(2,020,075)
<i>Net Increase in Cash and Cash Equivalents</i>	669,763
<i>Cash and Cash Equivalents Beginning of Year</i>	368,519
<i>Cash and Cash Equivalents End of Year</i>	\$1,038,282
 <i>Reconciliation of Operating Income</i>	
<i>to Net Cash Provided by Operating Activities</i>	
<i>Operating Income</i>	\$647,514
Adjustments	
Decrease in Accounts Receivable	1,042
Increase (Decrease) in Liabilities:	
Accounts Payable	79,498
Claims Payable	(58,291)
<i>Total Adjustments</i>	22,249
<i>Net Cash Provided by Operating Activities</i>	\$669,763

See accompanying notes to the basic financial statements

Maple Heights City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,820,119</u>
Liabilities	
Intergovernmental Payables	\$204,012
Undistributed Monies	1,573,215
Due to Students	<u>42,892</u>
<i>Total Liabilities</i>	<u>\$1,820,119</u>

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, 2014

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 135 non-certificated employees, 229 certificated full-time teaching personnel, and 29 administrative employees to provide services to 3,718 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 ensure that the basic financial statements of the School District are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

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

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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

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

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

Fund Accounting

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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

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

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

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 position, financial position and cash flows and are classified as either enterprise or internal service. The School District only has an internal service fund.

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

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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Measurement Focus

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

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

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

Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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.

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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 2014, investments were limited to 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, 2014.

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 classroom facilities fund during fiscal year 2014 amounted to \$14,419, which includes \$8,459 assigned from other School District funds.

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

Inventory

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their 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.

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

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

Interfund Balances

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

Compensated Absences

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

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

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

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

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.

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Accrued Liabilities and Long-term Obligations

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

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

Fund Balance

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

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. The amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or by State statute. The School District Board of Education assigned fund balance for public school support and to cover a gap between estimated revenue and appropriations in the fiscal year 2015 appropriated budget.

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

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

Net Position

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

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

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or the laws of other governments, or imposed by law through constitutional provisions. The School District utilizes a trustee to hold monies set aside as a Certificate Reserve Fund under the provisions of the debt agreement. The balance in this account is presented on the balance sheet as “restricted assets – cash equivalents held by trustee”.

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.

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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 received in the year the bonds are issued.

Deferred Charge on Refunding

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

Note 3 – Restatement of Prior Year Net Position

During fiscal year 2014, it was determined that capital assets were overstated and depreciation was understated in the prior fiscal year. This restatement had the following effect on net position at June 30, 2013:

	Governmental Activities
Net Position at June 30, 2013	\$62,071,588
Capital Assets	(4,538,571)
Capital Assets Depreciation	(4,346,007)
Restated Net Position at June 30, 2013	\$53,187,010

Note 4 – Accountability

Accountability

At June 30, 2014, the following funds had deficit fund balances:

Fund	Fund Balance
<i>Special Revenue Funds:</i>	
Other Grants	(\$3,308)
Public Preschool	(80,291)
Race to the Top	(8,478)
Title VI-B	(94,408)
Carl Perkins	(23,597)
Title I School Improvement	(5,722)
Title I	(213,033)
Miscellaneous Federal	(11,230)
<i>Capital Projects Fund:</i>	
Building	(2,540,951)

Maple Heights City School District
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For the Fiscal Year Ended June 30, 2014

The deficits in the special revenue funds are due to expenditures exceeding revenues. The general fund is liable for any deficit in other funds and provides transfers when cash is required, rather than when accruals occur.

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

Note 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).
3. Budgetary revenues and expenditures of the public school support fund is reclassified to the general fund for GAAP reporting.
4. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	\$250,602
Net Adjustment for Revenue Accruals	(1,011,580)
Net Adjustment for Expenditure Accruals	383,482
Perspective Difference:	
Public School Support	(16,638)
Adjustment for Encumbrances	(1,481)
Budget Basis	(\$395,615)

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

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.

Maple Heights City School District
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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, \$6,386,159 of the School District's bank balance of \$11,568,890 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department or agent, but not in the School District's name. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

Investments

Investments are reported at fair value and all mature in less than a year. As of June 30, 2014, the School District had investments in STAR Ohio.

Interest Rate Risk The School District's policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase to maximize the returns on the excess cash balances consistent with the safety of the monies and the desired liquidity of the investments. 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 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 STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Credit risk is addressed by the School District's policy by the requirements that all investments are authorized by Ohio Revised Code and that their portfolio be diversified both by types and issuer.

Concentration of Credit Risk The School District investment policy requires diversification of the portfolio, but does not indicate specific percentage allocations. All of the School District's investments are in STAR Ohio.

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in calendar year 2014 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, 2014, are available to finance fiscal year 2014 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, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2014, was \$2,948,809 in the general fund, \$27,697 in the classroom facilities maintenance special revenue fund, \$637,872 in the bond retirement fund, and \$56,234 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2013, was \$1,623,400 in the general fund, \$15,842 in the classroom facilities maintenance special revenue fund, \$348,832 in the bond retirement fund, and \$32,164 in the permanent improvement capital projects fund. The difference is in the timing and collection by the County Fiscal Officer.

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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$307,532,560	97.20 %	\$285,097,020	96.67 %
Public Utility	8,862,220	2.80	9,827,910	3.33
	\$316,394,780	100.00 %	\$294,924,930	100.00 %
Full Tax Rate per \$1,000 of Assessed Valuation	\$78.80		\$81.20	

During fiscal year 2014, property tax values decreased in the School District. This caused the tax rate to increase so that the emergency and bond levies would meet their collection amounts.

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/13	Additions	Deletions	Balance 6/30/14
<i>Capital Assets, not being depreciated:</i>				
Land	\$5,667,751	\$0	(\$207,483)	\$5,460,268
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,712,978	0	(23,536)	1,689,442
Buildings and Improvements	101,731,804	4,429,830	(333,115)	105,828,519
Furniture and Equipment	3,090,187	45,025	(1,264,847)	1,870,365
Vehicles	1,655,269	0	0	1,655,269
<i>Total Capital Assets, being depreciated</i>	108,190,238	4,474,855	(1,621,498)	111,043,595
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(544,677)	(41,069)	1,177	(584,569)
Buildings and Improvements	(8,915,308)	(3,124,246)	11,217	(12,028,337)
Furniture and Equipment	(474,445)	(108,100)	84,323	(498,222)
Vehicles	(1,371,420)	(64,280)	0	(1,435,700)
<i>Total Accumulated Depreciation</i>	(11,305,850)	(3,337,695) *	96,717	(14,546,828)
<i>Total Capital Assets, being depreciated, net</i>	96,884,388	1,137,160	(1,524,781)	96,496,767
Governmental Activities Capital Assets, Net	\$102,552,139	\$1,137,160	(\$1,732,264)	\$101,957,035

Maple Heights City School District
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For the Fiscal Year Ended June 30, 2014

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,977,907
Vocational	8,824
Support Services:	
Instructional Staff	46,249
Administration	4,580
Business	5,144
Operation and Maintenance of Plant	16,929
Pupil Transportation	47,911
Extracurricular Activities	181,478
Food Service Operations	48,673
Total Depreciation Expense	<u><u>\$3,337,695</u></u>

Note 9 – Receivables

Receivables at June 30, 2014, consisted of taxes, accounts (charges for services and tuition and fees), interfund, and intergovernmental grants and contributions. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected in one year.

A summary of the principal items of intergovernmental receivable follows:

<u>Governmental Activities</u>	<u>Amount</u>
Title I Grant	\$520,766
Title VI-B Grant	172,884
Race To The Top Grant	111,946
Catastrophic Aid	110,133
Early Childhood Education Grant	74,410
Miscellaneous Federal Grants	61,744
Federal Food Subsidies	13,661
Miscellaneous	13,185
Title I School Improvement Grant	9,539
Total Governmental Activities	<u><u>\$1,088,268</u></u>

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For the Fiscal Year Ended June 30, 2014

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 2014, the School District contracted for the following insurance coverage:

Company	Type of Coverage	Coverage Amount
NGM Insurance	Treasurer's Bond	\$250,000
Ohio Casualty	Blanket Property	119,681,980
	Business Income/Extra Expense	3,000,000
	Inland Marine	541,348
	Flood	1,000,000
	Earthquake	1,000,000
	Employee Dishonesty	300,000
	Forgery & Alteration	50,000
	Computer Fraud	50,000
	General Liability, limit	1,000,000
	General Liability, aggregate	2,000,000
	Employee Benefits Liability, limit	1,000,000
	Employee Benefits Liability, aggregate	3,000,000
	Employer's Liability, limit	1,000,000
	Employer's Liability, aggregate	2,000,000
	Professional Liability, limit	1,000,000
	Professional Liability, aggregate	1,000,000
	Non-Monetary Relief Defense	100,000
	Sexual Misconduct, limit	1,000,000
	Sexual Misconduct, aggregate	1,000,000
	Innocent Party Defense	300,000
Law Enforcement, limit	1,000,000	
Law Enforcement, aggregate	1,000,000	
Data Compromise	50,000	
Fleet (Combined Single Limit)	1,000,000	
Fleet (Uninsured Motorist Limit)	500,000	
Umbrella	10,000,000	
Self-Insured Retention	10,000	
Travelers Insurance	Boiler and Machinery	50,000,000
	Excess Crime	500,000
Western Surety	Business Manager	25,000

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

Workers' Compensation

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

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Self-Insurance

Medical insurance is offered to employees through a self-insurance internal service fund. The School District's monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. A specific excess loss coverage (stop-loss) insurance policy covers claims in excess of \$125,000 per employee, per year. The claims liability of \$287,582 reported in the internal service fund at June 30, 2014, 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:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2013	\$360,240	\$4,799,462	\$4,813,829	\$345,873
2014	345,873	1,961,784	2,020,075	287,582

Note 11 – Contingencies

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, 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.

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.

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining 0.9 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, 2014, 2013, and 2012 were \$644,525, \$666,390, and \$652,177 respectively. For fiscal year 2014, 48.27 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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.

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.

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 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 \$2,110,517 and \$27,504 for the fiscal year ended June 30, 2014, \$2,274,518 and \$27,752 for the fiscal year ended June 30, 2013, and \$2,327,728 and \$46,768 for the fiscal year ended June 30, 2012. For fiscal year 2014, 82.24 percent has been contributed for the DB plan and 82.24 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 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$41,870 made by the School District and \$32,898 made by the plan members. In addition, member contributions of \$21,610 were made for fiscal year 2014 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 2014, 0.14 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 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$69,081.

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.

Maple Heights City School District
Notes to the Basic Financial Statements
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The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$6,888, \$47,220, and \$103,622, respectively. For fiscal year 2014, 48.27 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$37,392, \$37,643, and \$38,514, respectively. For fiscal year 2014, 48.27 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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 2014, 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, 2014, 2013, and 2012 were \$164,463, \$171,172, and \$178,221, respectively. For fiscal year 2014, 82.24 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

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, 2014

Note 15 – Long-Term Obligations

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

	Amount Outstanding 6/30/13	Additions	Reductions	Amount Outstanding 6/30/14	Amount Due in One Year
<i>Certificates of Participation:</i>					
2008 Certificates of Participation					
Serial Portion	\$735,000	\$0	(\$110,000)	\$625,000	\$115,000
Term Portion	2,225,000	0	0	2,225,000	0
Premium	73,656	0	(4,603)	69,053	0
<i>Total Certificates of Participation</i>	<u>3,033,656</u>	<u>0</u>	<u>(114,603)</u>	<u>2,919,053</u>	<u>115,000</u>
<i>General Obligation Bonds:</i>					
2010 School Facilities Improvement					
Serial Portion	44,000,000	0	0	44,000,000	0
Capital Appreciation Bonds	1,454,975	0	(311,296)	1,143,679	256,209
Accretion	2,003,132	821,250	(528,704)	2,295,678	618,791
Premium	3,475,151	0	(144,798)	3,330,353	0
<i>Total 2010 School Facilities Improvement</i>	<u>50,933,258</u>	<u>821,250</u>	<u>(984,798)</u>	<u>50,769,710</u>	<u>875,000</u>
2013 School Facilities Refunding Bonds					
Serial Portion	6,620,000	0	(120,000)	6,500,000	150,000
Term Portion	1,555,000	0	0	1,555,000	0
Capital Appreciation Bonds	49,702	0	0	49,702	0
Accretion	7,116	14,442	0	21,558	0
Premium	1,775,792	0	(88,790)	1,687,002	0
<i>Total 2013 School Facilities Refunding Bonds</i>	<u>10,007,610</u>	<u>14,442</u>	<u>(208,790)</u>	<u>9,813,262</u>	<u>150,000</u>
<i>Total General Obligation Bonds</i>	<u>60,940,868</u>	<u>835,692</u>	<u>(1,193,588)</u>	<u>60,582,972</u>	<u>1,025,000</u>
<i>Other Long-term Obligation:</i>					
Compensated Absences	2,843,891	242,987	(156,185)	2,930,693	169,466
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$66,818,415</u>	<u>\$1,078,679</u>	<u>(\$1,464,376)</u>	<u>\$66,432,718</u>	<u>\$1,309,466</u>

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

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

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

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

The 2010 school facilities improvement general obligation bonds were issued 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. These bonds were partially refunded in fiscal year 2013.

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, 2014, is \$6,995,000. The accretion recorded for 2014 was \$821,250, for a total outstanding bond liability of \$3,439,357.

In fiscal year 2013, the School District issued \$8,224,702 in general obligation bonds for the purpose of refunding a portion of the 2010 school facilities improvement bond issue in order to take advantage of lower interest rates. As a result, \$8,315,000 of the 2010 bonds were considered defeased and the liability for the refunded bonds has been removed from the School District's financial statements. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2014, \$8,315,000 of the defeased bonds are still outstanding. The bonds will be paid from the bond retirement debt service fund.

Interest on the capital appreciation bonds will be accreted annually until the point of maturity of the capital appreciation bonds, which is 2013 through 2032. The final maturity amount of outstanding capital appreciation bonds at June 30, 2014, is \$3,540,000. The accretion recorded for 2014 was \$14,442, for a total outstanding bond liability of \$71,260.

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

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

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

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

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

The School District's overall debt margin was \$26,543,244 with an unvoted debt margin of \$294,925 at June 30, 2014. Principal and interest requirements to retire the debt outstanding at June 30, 2014 are as follows:

Fiscal Year	Certificates of Participation					
	Serial		Term		Total	
	Ending	Principal	Interest	Principal	Interest	Principal
2015	\$115,000	\$159,406	\$0	\$0	\$115,000	\$159,406
2016	120,000	154,337	0	0	120,000	154,337
2017	125,000	148,900	0	0	125,000	148,900
2018	130,000	143,000	0	0	130,000	143,000
2019	135,000	136,706	0	0	135,000	136,706
2020-2024	0	0	805,000	552,150	805,000	552,150
2025-2029	0	0	1,420,000	261,300	1,420,000	261,300
Totals	<u>\$625,000</u>	<u>\$742,349</u>	<u>\$2,225,000</u>	<u>\$813,450</u>	<u>\$2,850,000</u>	<u>\$1,555,799</u>

Fiscal Year	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Ending	Principal	Interest	Principal	Interest	Principal
2015	\$150,000	\$2,363,974	\$0	\$0	\$256,209	\$618,791
2016	150,000	2,360,974	0	0	226,723	753,277
2017	155,000	2,357,974	0	0	185,542	829,458
2018	160,000	2,354,874	0	0	185,592	1,099,408
2019	160,000	2,352,474	0	0	159,768	1,240,232
2020-2024	7,445,000	10,924,510	355,000	387,924	129,845	1,310,155
2025-2029	12,580,000	8,104,250	985,000	867,775	0	0
2030-2034	15,220,000	5,500,561	215,000	153,925	49,702	3,490,298
2035-2037	14,480,000	1,482,250	0	0	0	0
Totals	<u>\$50,500,000</u>	<u>\$37,801,841</u>	<u>\$1,555,000</u>	<u>\$1,409,624</u>	<u>\$1,193,381</u>	<u>\$9,341,619</u>

Maple Heights City School District
Notes to the Basic Financial Statements
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Note 16 – Short-Term Obligations

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

	Outstanding 6/30/13	Additions	Deletions	Outstanding 6/30/14
Capital Projects Fund - Building				
2013 Energy Conservation Notes 1.25%	\$2,511,000	\$0	(\$2,511,000)	\$0
2014 Energy Conservation Notes 1.25%	0	2,411,000	0	2,411,000
Total Notes	<u>\$2,511,000</u>	<u>\$2,411,000</u>	<u>(\$2,511,000)</u>	<u>\$2,411,000</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 2014 energy conservation bond anticipation notes were issued to refinance 2013 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 17 – Jointly Governed Organizations

Northeast Ohio Network for Educational Technology

The Northeast Ohio Network for Educational Technology (NEOnet) is the computer service organization or Information Technology Center (ITC) used by the School District. NEOnet is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs NEOnet. NEOnet’s Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each Participant’s degree of control is limited to its representation on the board. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. Payments to NEOnet are made from the general fund. In fiscal year 2014, the School District paid \$94,608 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.

Maple Heights City School District
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For the Fiscal Year Ended June 30, 2014

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 196 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Council's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2014, the School District paid \$118,966 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director at the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy served as the natural gas supplier and program manager from October 1, 2010 to March 31, 2013. Compass Energy has also been selected as the supplier and program manager for the period for the period from April 1, 2013 through March 31, 2016. There are currently 151 participants in the program including the Maple Heights City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The School District also participates in the Council's current electric purchase program. The Power 4 Schools Program provides a fixed price rate for electricity supplied by First Energy Solutions of \$0.0528 per kwh for the generation of electricity. There are currently 251 participants in the program including the Maple Heights City School District. School districts are not charged a fee by OSC to participate in this program. School districts pay the utility (Ohio Edison, Toledo Edison or Cleveland Electric Illuminating Co.) directly and receive a discount for the fixed price of generation.

Note 18 – Interfund Transactions

Interfund Transfers

During fiscal year 2014, the School District transferred \$536,774 and \$71,000 to the classroom facilities and district managed activities funds, respectively. The purpose of the \$536,774 was to put part of the E-Rate funds toward the construction project. The \$71,000 represents general fund support of the athletic program fund.

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Interfund Balances

During fiscal year 2014, The School District had the following interfund balances:

	Interfund Balances	
	June 30, 2014	
	Receivables	Payables
Governmental Activities:		
General	\$105,046	\$0
<i>Special Revenue Funds:</i>		
Public Preschool	0	4,133
Race to the Top	0	7,991
Title VI-B	0	17,986
Carl Perkins	0	17,797
Title I School Improvement	0	7,961
Title I	0	22,510
Miscellaneous Federal Grants	0	8,453
<i>Total Special Revenue Funds</i>	0	86,831
<i>Capital Projects Funds:</i>		
Classroom Facilities	500,000	0
Building	0	518,215
<i>Total Capital Projects Funds</i>	500,000	518,215
 Total Governmental Activities	 \$605,046	 \$605,046

The general fund advanced \$105,046 to the building and other governmental funds to cover negative cash balances in those funds. The classroom facilities fund advanced \$500,000 to the building fund to cover expenditures until a resolution regarding funding with the Ohio Facilities Construction Commission (OFCC) was reached. As of June 30, 2014, all interfund balances are anticipated to be repaid in one year.

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 19 – Significant Commitments

Contractual Commitments

At June 30, 2014, the School District had the following outstanding contractual commitments for the new school buildings:

Contractor	Contract Outstanding
Giambrone Construction and Masonry	\$1,312,130
Zenith Systems, LLC	561,507
Fanning Howey (FHAI)	399,541
Heery International	117,727
JTO (Pond B2)	27,246
Highland Mechanical	10,580
Greenline (JFK)	9,563
Greenline (Middle School)	7,800
Sentry Fence	6,400
Platform Cement (Middle School)	5,166
Tom Sexton & Associates	4,914
Platform Cement (2-5)	3,340

\$364,441 of the remaining commitment amounts were encumbered at fiscal year-end.

Encumbrances

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

General	\$1,481
Building	1,500
Classroom Facilities	364,441
Other Governmental Funds	257,789
Total	\$625,211

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 20 – 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 Funds	Total
Restricted for:						
Debt Service	\$0	\$2,965,044	\$0	\$0	\$0	\$2,965,044
Capital Projects	0	0	0	5,441,733	0	5,441,733
Classroom Maintenance	0	0	0	0	1,027,850	1,027,850
Food Service	0	0	0	0	368,369	368,369
District Managed Activities	0	0	0	0	35,733	35,733
Other Purposes	0	0	0	0	11,576	11,576
Total Restricted	0	2,965,044	0	5,441,733	1,443,528	9,850,305
Assigned to:						
Public School Support	29,140	0	0	0	0	29,140
2015 Appropriations	319,308	0	0	0	0	319,308
Total Assigned	348,448	0	0	0	0	348,448
Unassigned (Deficit)	1,665	0	(2,540,951)	0	(440,067)	(2,979,353)
Total Fund Balances (Deficit)	\$350,113	\$2,965,044	(\$2,540,951)	\$5,441,733	\$1,003,461	\$7,219,400

Note 21 – Set-Asides

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

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

	Capital Improvements
Set-Aside Balance as of June 30, 2013	\$0
Current Year Set-Aside Requirement	633,047
Offsets During the Fiscal Year	(401,401)
Qualifying Disbursements	(267,468)
Totals	(\$35,822)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Balance as of June 30, 2014	\$0

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 22 – Operating Leases

The School District leases two buildings for various uses and copiers throughout its buildings. Total costs for the leases were \$150,923 for the fiscal year ended June 30, 2014. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending	Building A	Building B	Copiers	Total
2015	\$50,000	\$8,325	\$55,140	\$113,465
2016	50,000	0	55,140	105,140
2017	50,000	0	55,140	105,140
2018	50,000	0	18,380	68,380
2019	4,167	0	0	4,167
	<u>\$204,167</u>	<u>\$8,325</u>	<u>\$183,800</u>	<u>\$396,292</u>

Note 22 – Subsequent Events

On October 27, 2014, the School District was awarded a \$750,000 grant by Apple for grades two and three in John F. Kennedy elementary school that will give all students and teachers iPads to use and will provide training for incorporating them into classroom instruction. This grant is expected to take effect in 2015.

On August 31, 2014, the School District moved out of Building B, which was being leased, due to the School District no longer needing to store freezers, refrigeration equipment, and food with the completion of the new buildings.

Following fiscal year end, building construction within the School District was completed and all major outstanding contracts with vendors have been paid, except for Giambrone Construction and Masonry, with which the Ohio Facilities Construction Commission (OFCC) had some outstanding issues pending. The outcome of this matter may reduce the amount owed to this vendor.

In October 2014, the School District reached an agreement with the OFCC regarding additional square footage of the new buildings. Per the agreement, any plans to construct buildings beyond the recommended size from the OFCC had to be covered by the local share from bonds issued. It was determined that the additional square footage was necessary to accommodate students; therefore, the OFCC Board agreed that the \$2.4 million for the local funding initiative would be eliminated and those dollars would be considered as co-funded with the rest of the project.

Maple Heights City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

On September 10, 2014, Phase II of the stadium construction project pertaining to Bid Alternatives D, E and G, relative to the approved bid with JTO, Incorporated, began for the amount of \$726,000. Phase II includes a new home concession stand in the amount of \$198,000, a new home restroom building in the amount of \$340,000, and a new track and field service building in the amount of \$188,000.

On December 30, 2014, the School District issued \$8,824,972 in school facilities improvement refunding bonds. These bonds were issued to advance refund a portion of the 2010 School Facilities Improvement Bonds in order to take advantage of lower interest rates to save the School District money. The bonds will be paid from the bond retirement debt service fund and will mature on January 15, 2034.

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**MAPLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE Passed Through Ohio Department of Education					
Nutrition Cluster:					
School Breakfast Program	10.553	\$413,265	\$0	\$413,265	\$0
School Lunch Program	10.555	<u>1,410,717</u>	<u>98,746</u>	<u>1,410,717</u>	<u>98,746</u>
Total Nutrition Cluster		<u>1,823,982</u>	<u>98,746</u>	<u>1,823,982</u>	<u>98,746</u>
State Administrative Expenses for Child Nutrition	10.560	1,957	0	1,957	0
Federal Fruits and Vegetables	10.582	<u>72,255</u>	<u>0</u>	<u>72,255</u>	<u>0</u>
Total U.S. Department of Agriculture		<u>1,898,194</u>	<u>98,746</u>	<u>1,898,194</u>	<u>98,746</u>
U.S. DEPARTMENT OF EDUCATION Passed Through Ohio Department of Education					
Title I Grants to Local Educational Agencies	84.010	1,639,684	0	1,643,178	0
Special Education Cluster:					
Special Education--Grants to States (IDEA, Part B)	84.027	843,083	0	864,888	0
Special Education--Preschool Grants	84.173	<u>29,083</u>	<u>0</u>	<u>29,083</u>	<u>0</u>
Total Special Education Cluster		<u>872,166</u>	<u>0</u>	<u>893,971</u>	<u>0</u>
Technology - Title II-D (Enhancing Education)	84.318	0	0	1,248	0
Improving Teacher Quality - Title II-A	84.367	93,472	0	93,323	0
Eisenhower Professional Development	84.281	0	0	9	0
Vocational Education Basic Grants to States	84.048	102,335	0	105,120	0
21st Century Community Learning Centers	84.287	113,741	0	108,178	0
Assistive Technology Infusion	84.352	0	0	398	0
ARRA - Race to the Top	84.395	<u>168,309</u>	<u>0</u>	<u>175,273</u>	<u>0</u>
Total U.S. Department of Education		<u>2,989,707</u>	<u>0</u>	<u>3,020,698</u>	<u>0</u>
Total Federal Financial Assistance		<u>\$4,887,901</u>	<u>\$98,746</u>	<u>\$4,918,892</u>	<u>\$98,746</u>

The accompanying notes are an integral part of this schedule.

**MAPLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Maple Heights City School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 25, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
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www.auditor.state.oh.us

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

February 25, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Maple Heights City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Maple Heights City School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Maple Heights City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

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Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 25, 2015

**MAPLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.010 – Title I Grants to Local Educational Agencies
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**MAPLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-1	Significant deficiency - audit adjustment for receivables	yes	