



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, 2015, 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 the Maple Heights City School District, Cuyahoga County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

The Schedule of Federal Award Receipts and Expenditures 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 financial statements.

The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this 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 March 7, 2016 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.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 7, 2016

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**Maple Heights City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

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The discussion and analysis of the Maple Heights City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

- Total net position increased by \$2.5 million. Total liabilities decreased by \$9.6 million while total assets increased by \$2.3 million. The increase in assets for fiscal year 2015 was primarily due to an increase in property tax receivables which were the result of increased delinquencies and amounts available as advances during the fiscal year.
- Total revenue increased from \$47.6 million in fiscal year 2014 to \$48 million in fiscal year 2015. The increase in revenue was due primarily to receiving more in grants and entitlements not restricted to specific programs, which increased by nearly \$2 million from the prior fiscal year. This was due to increases in State foundation funding.

During fiscal year 2015, the School District was self insured for medical insurance benefits provided to School District employees. In the past, the School District experienced double digit percentage increases for employee benefits without the means to generate the revenue necessary to meet these increases. In an effort to curtail future double-digit percentage increases of employee benefits, the School District became self insured in fiscal year 2008 for purposes of cost containment. In addition, the School District has purchased stop loss insurance. The School District has also established an active Health Care Committee that will review any health insurance increases to the School District exceeding five percent and will discuss ways to offset those costs by either changing the benefits or increasing employee contributions.

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

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

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

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**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 2015. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

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

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

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*Management's Discussion and Analysis*  
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**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2015 compared to fiscal year 2014:

**Table 1**  
**Net Position**  
**Governmental Activities**

	2015	2014	Change
<b>Assets</b>			
Current and Other Assets	\$36,395,566	\$33,027,577	\$3,367,989
Capital Assets, Net	100,884,271	101,957,035	(1,072,764)
<i>Total Assets</i>	<u>137,279,837</u>	<u>134,984,612</u>	<u>2,295,225</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding Pension	1,210,888	1,278,160	(67,272)
	3,171,727	2,838,614	333,113
<i>Total Deferred Outflows of Resources</i>	<u>4,382,615</u>	<u>4,116,774</u>	<u>265,841</u>
<b>Liabilities</b>			
Current and Other Liabilities	8,538,081	8,355,060	(183,021)
Long-Term Liabilities:			
Due Within One Year	1,377,280	1,309,466	(67,814)
Due in More than One Year:			
Net Pension Liability	48,044,135	57,087,085	9,042,950
Other Amounts	64,272,273	65,123,252	850,979
<i>Total Liabilities</i>	<u>122,231,769</u>	<u>131,874,863</u>	<u>9,643,094</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	11,944,582	10,944,707	(999,875)
Pension	8,688,024	0	(8,688,024)
<i>Total Deferred Inflows of Resources</i>	<u>20,632,606</u>	<u>10,944,707</u>	<u>(9,687,899)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	42,608,775	43,038,812	(430,037)
Restricted:			
Capital Projects	2,594,712	5,441,733	(2,847,021)
Debt Service	161,793	0	161,793
Other Purposes	2,328,008	1,949,154	378,854
Unrestricted (Deficit)	(48,895,211)	(54,147,883)	5,252,672
<i>Total Net Position</i>	<u>(\$1,201,923)</u>	<u>(\$3,718,184)</u>	<u>\$2,516,261</u>

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

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

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

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

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$50,530,287 to (\$3,718,184).

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*Management's Discussion and Analysis*  
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Total assets increased from the prior fiscal year due to increases in cash and cash equivalents as well as property tax receivables. The increase in cash and cash equivalents is due to revenues outpacing expenditures during the fiscal year. The increase in property tax receivable was due to increases in delinquencies and amounts available as advances at year-end. Total liabilities for governmental activities decreased by \$9.6 million, primarily due to a decrease in the net pension liability due to changes in the pension systems' net pension liabilities. These factors led to a total increase in net position of \$2.5 million.

Table 2 shows the change in net position for fiscal year 2015 compared to fiscal year 2014.

**Table 2**  
Change in Net Position

	<u>2015</u>	<u>2014</u>	<u>Change</u>
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$630,830	\$711,202	(\$80,372)
Operating Grants and Contributions	7,909,339	7,927,873	(18,534)
<i>Total Program Revenues</i>	<u>8,540,169</u>	<u>8,639,075</u>	<u>(98,906)</u>
General Revenues:			
Property Taxes	16,654,999	18,299,973	(1,644,974)
Grants and Entitlements not Restricted to Specific Programs	22,207,857	20,224,690	1,983,167
Investment Earnings	17,349	14,429	2,920
Contributions and Donations	3,305	12,515	(9,210)
Other	605,202	419,368	185,834
<i>Total General Revenues</i>	<u>39,488,712</u>	<u>38,970,975</u>	<u>517,737</u>
<i>Total Revenues</i>	<u>48,028,881</u>	<u>47,610,050</u>	<u>418,831</u>
<b>Program Expenses</b>			
Instruction	26,549,435	30,326,412	3,776,977
Support Services:			
Pupil and Instructional Staff	3,321,036	3,232,615	(88,421)
Board of Education, Administration Fiscal and Business	5,631,056	5,036,822	(594,234)
Operation and Maintenance of Plant	3,576,889	3,614,672	37,783
Pupil Transportation	1,065,591	1,232,235	166,644
Central	\$10,734	\$9,286	(\$1,448)

*(continued)*

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**Table 2**  
Change in Net Position (continued)

	2015	2014	Change
Operation of Non-Instructional Services	\$17,888	\$32,193	\$14,305
Extracurricular Activities	873,044	883,778	10,734
Food Services Operations	1,751,361	1,967,615	216,254
Interest and Fiscal Charges	2,715,586	3,931,145	1,215,559
<i>Total Program Expenses</i>	<u>45,512,620</u>	<u>50,266,773</u>	<u>4,754,153</u>
Net Change in Net Position	2,516,261	(2,656,723)	5,172,984
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>(3,718,184)</u>	N/A	
<i>Net Position End of Year</i>	<u><u>(\$1,201,923)</u></u>	<u><u>(\$3,718,184)</u></u>	<u><u>\$5,172,984</u></u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$2,838,614 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,031,008. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$45,512,620
Pension expense under GASB 68	(2,031,008)
2015 contractually required contribution	<u>2,719,047</u>
Adjusted 2015 program expenses	46,200,659
Total 2014 program expenses under GASB 27	<u>50,266,773</u>
Decrease in program expenses not related to pension	<u><u>(\$4,066,114)</u></u>

Total revenue increased for governmental activities from \$47.6 million to \$48 million. The vast majority of revenue supporting governmental activities is general revenue. General revenue increased from \$39 million in fiscal year 2014 to nearly \$39.5 million in fiscal year 2015. The primary source of the increase was in grants and entitlements not restricted to specific programs. General revenue comprised 82.21 percent of total revenue.

Property taxes made up 34.68 percent of revenues for governmental activities for the School District in fiscal year 2015. Overall, property tax revenue decreased by \$1.6 million on a GAAP basis due to lower delinquent collections.

Program expenses decreased from \$50.3 million in fiscal year 2014 to \$45.5 million in fiscal year 2015. The major program expense for governmental activities, as expected, is for instruction. Instructional costs were \$3.8 million lower than the prior fiscal year due to cost-saving measures. When combined with pupil and instructional staff support, these categories make up 65.63 percent of expenses.

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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 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Instruction	\$26,549,435	(\$20,752,360)	\$30,326,412	(\$24,928,265)
Support Services:				
Pupil and Instructional Staff	3,321,036	(3,205,534)	3,232,615	(2,698,845)
Board of Education, Administration				
Fiscal and Business	5,631,056	(5,522,881)	5,036,822	(4,749,583)
Operation and Maintenance of Plant	3,576,889	(3,531,303)	3,614,672	(3,559,222)
Pupil Transportation	1,065,591	(909,079)	1,232,235	(1,077,324)
Central	10,734	(10,623)	9,286	(7,295)
Operation of Non-Instructional Services	17,888	(16,106)	32,193	(2,016)
Extracurricular Activities	873,044	(713,564)	883,778	(721,093)
Food Service Operations	1,751,361	404,585	1,967,615	47,090
Interest and Fiscal Charges	2,715,586	(2,715,586)	3,931,145	(3,931,145)
<i>Total</i>	<u>\$45,512,620</u>	<u>(\$36,972,451)</u>	<u>\$50,266,773</u>	<u>(\$41,627,698)</u>

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

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. A review of the School District's major funds demonstrates an increase in fund balance for all major funds, except for the classroom facilities capital project fund. All governmental funds had total revenues of \$47.6 million and expenditures of \$47.4 million. The net change in fund balance for the year was most significant in the classroom facilities fund, where the fund balance went from \$5.4 million in fiscal year 2014 to \$2.6 million in fiscal year 2015. The main reason for this decrease was due to capital outlays for building projects 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 2015, the School District amended its general fund budget as needed. The School District uses site-based budgeting. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management. For the general fund, final estimated revenues were \$36,070,781, above the original budget estimate of \$36,009,369, and below actual revenues of \$38,255,124. Actual

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revenues were \$2,184,343 higher than the final estimate. This was primarily due to intergovernmental and property tax revenues. The final estimated expenditures were \$36,402,041, below the original budgeted expenditures of \$35,611,835, and above actual expenditures of \$36,361,100. Actual expenditures were \$40,941 lower than the final estimate. This was due to lower than expected expenditures across all programs in the general fund.

Total actual revenues on the budget basis were \$1,894,024 above expenditures (cash outlays plus encumbrances). After other financing sources and uses are included, the net change in fund balance was an increase of \$1,063,891.

**Capital Assets and Debt Administration**

*Capital Assets*

Table 4 shows fiscal year 2015 balances compared to fiscal year 2014. More detailed information is presented in Note 9 to the basic financial statements.

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

	2015	2014
Land	\$5,460,268	\$5,460,268
Land Improvements	1,069,076	1,104,873
Buildings and Improvements	92,840,859	93,800,182
Furniture and Equipment	1,282,763	1,372,143
Vehicles	231,305	219,569
Totals	\$100,884,271	\$101,957,035

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

*Debt*

Table 5 summarizes the debt outstanding for fiscal years 2015 and 2014. More detailed information is presented in Notes 15 and 16 to the basic financial statements.

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*Management's Discussion and Analysis*  
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**Table 5**  
**Outstanding Debt at June 30**  
**Governmental Activities**

	2015	2014
<i><b>Certificates of Participation:</b></i>		
2008 Certificates of Participation	\$2,799,450	\$2,919,053
<i><b>General Obligation Bonds:</b></i>		
2010 School Facilities Improvement Bonds	50,562,378	50,769,710
2013 School Facilities Refunding Bonds	9,592,633	9,813,262
<i><b>Short-Term Notes:</b></i>		
Energy Conservation Notes	2,311,000	2,411,000
Totals	\$65,265,461	\$65,913,025

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 2015 energy conservation note was issued to refinance the 2014 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, 2015, the School District's overall legal debt margin was \$21,304,629 with an unvoted debt margin of \$288,892. 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.

**Maple Heights City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

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

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

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

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## **Basic Financial Statements**

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**Maple Heights City School District**  
*Statement of Net Position*  
June 30, 2015

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$12,712,428
Cash Equivalents Held by Trustee	338,718
Accounts Receivable	1,156
Intergovernmental Receivable	863,715
Inventory Held for Resale	31,055
Property Taxes Receivable	22,448,494
Nondepreciable Capital Assets	5,460,268
Depreciable Capital Assets, Net	95,424,003
<i>Total Assets</i>	137,279,837
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	1,210,888
Deferred Outflows - Pension	3,171,727
<i>Total Deferred Outflows of Resources</i>	4,382,615
<b>Liabilities</b>	
Accounts Payable	183,774
Accrued Wages and Benefits	2,295,887
Contracts Payable	1,450,000
Intergovernmental Payable	719,187
Matured Compensated Absences Payable	325,712
Claims Payable	137,854
Accrued Interest Payable	1,114,667
Notes Payable	2,311,000
Long-Term Liabilities:	
Due Within One Year	1,377,280
Due In More Than One Year:	
Net Pension Liability	48,044,135
Other Amounts	64,272,273
<i>Total Liabilities</i>	122,231,769
<b>Deferred Inflows of Resources</b>	
Property Taxes	11,944,582
Deferred Inflows - Pension	8,688,024
<i>Total Deferred Inflows of Resources</i>	20,632,606
<b>Net Position</b>	
Net Investment in Capital Assets	42,608,775
Restricted for:	
Capital Projects	2,594,712
Debt Service	161,793
Special Education	36,128
Food Service	755,244
Classroom Maintenance	1,084,115
School Improvement	402,867
Student Development	11,665
Other Purposes	37,989
Unrestricted (Deficit)	(48,895,211)
<i>Total Net Position</i>	(\$1,201,923)

See accompanying notes to the basic financial statements

**Maple Heights City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Total
<b>Governmental Activities</b>				
Instruction:				
Regular	\$21,888,966	\$238,262	\$1,911,506	(\$19,739,198)
Special	3,822,882	43,645	3,267,466	(511,771)
Vocational	723,954	9,745	323,522	(390,687)
Adult/Continuing	1,882	0	1,511	(371)
Student Intervention Services	111,751	1,418	0	(110,333)
Support Services:				
Pupil	2,233,075	29,861	1,260	(2,201,954)
Instructional Staff	1,087,961	9,671	74,710	(1,003,580)
Board of Education	58,356	740	0	(57,616)
Administration	3,641,934	35,084	51,418	(3,555,432)
Fiscal	1,529,031	15,609	0	(1,513,422)
Business	401,735	5,324	0	(396,411)
Operation and Maintenance of Plant	3,576,889	45,586	0	(3,531,303)
Pupil Transportation	1,065,591	14,609	141,903	(909,079)
Central	10,734	111	0	(10,623)
Operation of Non-Instructional Services	17,888	11	1,771	(16,106)
Extracurricular Activities	873,044	138,263	21,217	(713,564)
Food Service Operations	1,751,361	42,891	2,113,055	404,585
Interest and Fiscal Charges	2,715,586	0	0	(2,715,586)
<b>Total</b>	<b>\$45,512,620</b>	<b>\$630,830</b>	<b>\$7,909,339</b>	<b>(36,972,451)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	13,075,241
Special Revenue	144,036
Debt Service	3,229,397
Capital Outlay	206,325
Grants and Entitlements not	
Restricted to Specific Programs	22,207,857
Investment Earnings	17,349
Unrestricted Contributions and	
Donations	3,305
Miscellaneous	605,202
<b>Total General Revenues</b>	<b>39,488,712</b>
Change in Net Position	2,516,261
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<i>(3,718,184)</i>
<b>Net Position End of Year</b>	<b>(\$1,201,923)</b>

See accompanying notes to the basic financial statements

**Maple Heights City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2015*

	General	Bond Retirement	Building	Classroom Facilities
<b>Assets</b>				
Equity in Pooled Cash and				
Cash Equivalents	\$1,857,467	\$2,516,958	\$0	\$4,044,712
Property Taxes Receivable	17,712,262	4,281,107	304,921	0
Accounts Receivable	1,156	0	0	0
Intergovernmental Receivable	6,072	0	0	0
Interfund Receivable	402,353	0	0	0
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>\$19,979,310</u>	<u>\$6,798,065</u>	<u>\$643,639</u>	<u>\$4,044,712</u>
<b>Liabilities</b>				
Accounts Payable	\$142,898	\$0	\$0	\$0
Accrued Wages and Benefits	2,154,006	0	0	0
Intergovernmental Payable	702,234	0	0	0
Contracts Payable	0	0	0	1,450,000
Interfund Payable	0	0	78,570	0
Matured Compensated Absences Payable	325,712	0	0	0
Accrued Interest Payable	0	0	6,393	0
Notes Payable	0	0	2,311,000	0
<i>Total Liabilities</i>	<u>3,324,850</u>	<u>0</u>	<u>2,395,963</u>	<u>1,450,000</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	9,427,765	2,277,993	160,012	0
Unavailable Revenue	5,215,532	1,261,065	91,257	0
<i>Total Deferred Inflows of Resources</i>	<u>14,643,297</u>	<u>3,539,058</u>	<u>251,269</u>	<u>0</u>
<b>Fund Balances</b>				
Restricted	0	3,259,007	0	2,594,712
Assigned	1,295,936	0	0	0
Unassigned (Deficit)	715,227	0	(2,003,593)	0
<i>Total Fund Balances (Deficit)</i>	<u>2,011,163</u>	<u>3,259,007</u>	<u>(2,003,593)</u>	<u>2,594,712</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$19,979,310</u>	<u>\$6,798,065</u>	<u>\$643,639</u>	<u>\$4,044,712</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, 2015*

Other Governmental Funds	Total Governmental Funds		
		<b>Total Governmental Funds Balances</b>	\$7,374,131
		<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.	100,884,271
\$1,911,579	\$10,330,716		
150,204	22,448,494		
0	1,156		
857,643	863,715	Other long-term assets are not available to pay for current- period expenditures and therefore are reported as unavailable revenue in the funds:	
0	402,353	Delinquent Property Taxes	6,612,821
31,055	31,055	Intergovernmental	790,612
0	338,718	Total	7,403,433
\$2,950,481	\$34,416,207		
		An internal service fund is used by management to charge the costs of the statement of net position.	2,243,613
\$40,631	\$183,529		
141,881	2,295,887	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(1,108,274)
16,953	719,187		
0	1,450,000	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
323,783	402,353	Certificates of Participation	(2,735,000)
0	325,712	General Obligation Bonds	(44,000,000)
0	6,393	Refunding Bonds	(7,905,000)
0	2,311,000	Capital Appreciation Bonds	(937,172)
523,248	7,694,061	Accretion	(2,529,072)
		Premium on Bonds and Certificates of Participation	(4,848,217)
78,812	11,944,582	Compensated Absences	(2,695,092)
835,579	7,403,433		
914,391	19,348,015	Total	(65,649,553)
		Deferred Charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position.	1,210,888
1,891,049	7,744,768		
0	1,295,936	The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds	
(378,207)	(1,666,573)	Deferred Outflows - Pension	3,171,727
1,512,842	7,374,131	Deferred Inflows - Pension	(8,688,024)
		Net Pension Liability	(48,044,135)
\$2,950,481	\$34,416,207	Total	(53,560,432)
		<i>Net Position of Governmental Activities</i>	( <u>\$1,201,923</u> )

**Maple Heights City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2015*

	General	Bond Retirement	Building	Classroom Facilities
<b>Revenues</b>				
Property Taxes	\$12,666,920	\$3,049,955	\$195,589	\$0
Intergovernmental	24,541,033	468,640	55,664	0
Interest	9,938	0	0	7,411
Charges for Services	7,406	0	0	0
Tuition and Fees	441,135	0	0	0
Extracurricular Activities	81,407	0	0	0
Contributions and Donations	24,522	0	0	0
Rentals	6,000	0	0	0
Miscellaneous	574,222	2,048	0	38
<i>Total Revenues</i>	<u>38,352,583</u>	<u>3,520,643</u>	<u>251,253</u>	<u>7,449</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	18,902,787	0	108,154	0
Special	3,441,709	0	0	0
Vocational	814,522	0	0	0
Adult/Continuing	0	0	0	0
Student Intervention Services	111,751	0	0	0
Support Services:				
Pupil	2,347,963	0	0	0
Instructional Staff	746,124	0	0	0
Board of Education	58,356	0	0	0
Administration	2,796,019	0	0	0
Fiscal	1,232,649	58,455	282,616	0
Business	436,099	0	0	0
Operation and Maintenance of Plant	3,617,626	0	3,847	0
Pupil Transportation	1,162,931	0	0	0
Central	8,734	0	0	0
Operation of Non-Instructional Services	892	0	0	0
Extracurricular Activities	498,278	0	0	0
Food Service Operations	0	0	0	0
Capital Outlay	12,143	0	204	2,556,760
Debt Service:				
Principal Retirement	0	521,209	0	0
Interest and Fiscal Charges	0	2,028,225	29,843	0
Capital Appreciation Bonds Interest	0	618,791	0	0
<i>Total Expenditures</i>	<u>36,188,583</u>	<u>3,226,680</u>	<u>424,664</u>	<u>2,556,760</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,164,000</u>	<u>293,963</u>	<u>(173,411)</u>	<u>(2,549,311)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	3,446	0	710,769	413,059
Transfers Out	(506,396)	0	0	(710,769)
<i>Total Other Financing Sources (Uses)</i>	<u>(502,950)</u>	<u>0</u>	<u>710,769</u>	<u>(297,710)</u>
<i>Net Change in Fund Balances</i>	1,661,050	293,963	537,358	(2,847,021)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>350,113</u>	<u>2,965,044</u>	<u>(2,540,951)</u>	<u>5,441,733</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$2,011,163</u>	<u>\$3,259,007</u>	<u>(\$2,003,593)</u>	<u>\$2,594,712</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, 2015*

Other Governmental Funds	Total Governmental Funds
\$138,728	\$16,051,192
5,178,661	30,243,998
0	17,349
42,891	50,297
0	441,135
51,991	133,398
488	25,010
0	6,000
28,894	605,202
<u>5,441,653</u>	<u>47,573,581</u>
1,574,547	20,585,488
686,142	4,127,851
48,555	863,077
1,882	1,882
0	111,751
1,569	2,349,532
344,669	1,090,793
0	58,356
308,472	3,104,491
0	1,573,720
0	436,099
131,185	3,752,658
0	1,162,931
2,000	10,734
16,996	17,888
187,833	686,111
1,718,313	1,718,313
0	2,569,107
0	521,209
0	2,058,068
0	618,791
<u>5,022,163</u>	<u>47,418,850</u>
<u>419,490</u>	<u>154,731</u>
93,337	1,220,611
(3,446)	(1,220,611)
<u>89,891</u>	<u>0</u>
509,381	154,731
<u>1,003,461</u>	<u>7,219,400</u>
<u>\$1,512,842</u>	<u>\$7,374,131</u>

Net Change in Fund Balances -Total Governmental Funds	\$154,731
<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 depreciation exceeded capital outlay in the current period.	
Capital Outlay	2,301,655
Current Year Depreciation	<u>(3,374,419)</u>
Total	(1,072,764)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent Property Taxes	603,807
Intergovernmental	<u>(148,507)</u>
Total	455,300
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	521,209
Capital Appreciation Bonds Interest	<u>618,791</u>
Total	1,140,000
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	2,190
Annual Accretion	(830,627)
Amortization of Premium	238,191
Amortization of Deferred Charge	<u>(67,272)</u>
Total	(657,518)
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.	235,601
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.	1,572,872
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	2,719,047
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	<u>(2,031,008)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$2,516,261</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, 2015*

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$11,810,210	\$11,830,352	\$12,546,764	\$716,412
Intergovernmental	23,206,702	23,246,280	24,654,008	1,407,728
Interest	9,355	9,371	9,938	567
Charges for Services	6,971	6,983	7,406	423
Tuition and Fees	415,076	415,784	440,963	25,179
Contributions and Donations	3,111	3,116	3,305	189
Rentals	5,648	5,657	6,000	343
Miscellaneous	552,296	553,238	586,740	33,502
<i>Total Revenues</i>	<u>36,009,369</u>	<u>36,070,781</u>	<u>38,255,124</u>	<u>2,184,343</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	18,578,786	18,991,039	18,959,741	31,298
Special	3,430,501	3,506,622	3,500,778	5,844
Vocational	775,427	792,633	792,276	357
Student Intervention Services	109,508	111,938	111,751	187
Support Services:				
Pupil	2,315,407	2,366,784	2,366,490	294
Instructional Staff	738,292	754,675	761,694	(7,019)
Board of Education	57,708	58,988	58,890	98
Administration	2,822,907	2,885,546	2,874,900	10,646
Fiscal	1,210,407	1,237,265	1,241,223	(3,958)
Business	436,159	445,837	446,113	(276)
Operation and Maintenance of Plant	3,550,451	3,629,233	3,627,819	1,414
Pupil Transportation	1,150,772	1,176,307	1,174,992	1,315
Central	8,389	8,575	8,561	14
Operation of Non-Instructional Services	874	893	892	1
Extracurricular Activities	414,348	423,543	422,837	706
Capital Outlay	11,899	12,163	12,143	20
<i>Total Expenditures</i>	<u>35,611,835</u>	<u>36,402,041</u>	<u>36,361,100</u>	<u>40,941</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>397,534</u>	<u>(331,260)</u>	<u>1,894,024</u>	<u>2,225,284</u>
<b>Other Financing Sources (Uses)</b>				
Advances Out	(317,283)	(324,323)	(323,783)	540
Transfers In	43	43	46	3
Transfers Out	(496,230)	(507,241)	(506,396)	845
<i>Total Other Financing Sources (Uses)</i>	<u>(813,470)</u>	<u>(831,521)</u>	<u>(830,133)</u>	<u>1,388</u>
<i>Net Change in Fund Balance</i>	(415,936)	(1,162,781)	1,063,891	2,226,672
<i>Fund Balance Beginning of Year</i>	823,829	823,829	823,829	0
Prior Year Encumbrances Appropriated	1,485	1,485	1,485	0
<i>Fund Balance End of Year</i>	<u>\$409,378</u>	<u>(\$337,467)</u>	<u>\$1,889,205</u>	<u>\$2,226,672</u>

See accompanying notes to the basic financial statements

**Maple Heights City School District**  
*Statement of Fund Net Position*  
*Internal Service Fund*  
*June 30, 2015*

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	<u>Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,381,712</u>
<b>Liabilities</b>	
Accounts Payable	245
Claims Payable	<u>137,854</u>
<i>Total Liabilities</i>	<u>138,099</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$2,243,613</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, 2015*

	Insurance
<b>Operating Revenues</b>	
Charges for Services	\$5,056,507
Other	18,432
<i>Total Operating Revenues</i>	5,074,939
<b>Operating Expenses</b>	
Claims	3,500,064
Other	2,003
<i>Total Operating Expenses</i>	3,502,067
<i>Change in Net Position</i>	1,572,872
<i>Net Position Beginning of Year</i>	670,741
<i>Net Position End of Year</i>	\$2,243,613

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, 2015

	Insurance
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$5,056,507
Cash Received from Other Sources	18,432
Cash Payments for Claims	(3,649,792)
Cash Payments for Other Purposes	(81,717)
<i>Net Increase in Cash and Cash Equivalents</i>	1,343,430
<i>Cash and Cash Equivalents Beginning of Year</i>	1,038,282
<i>Cash and Cash Equivalents End of Year</i>	\$2,381,712
 <b><i>Reconciliation of Operating Income</i></b>	
<b><i>to Net Cash Provided by Operating Activities</i></b>	
<i>Operating Income</i>	\$1,572,872
<b>Adjustments</b>	
Increase (Decrease) in Liabilities:	
Accounts Payable	(79,714)
Claims Payable	(149,728)
<i>Total Adjustments</i>	(229,442)
<i>Net Cash Provided by Operating Activities</i>	\$1,343,430

See accompanying notes to the basic financial statements

**Maple Heights City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2015*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u>\$730,414</u>
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**Liabilities**

Undistributed Monies	\$677,926
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Due to Students	<u>52,488</u>
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<i>Total Liabilities</i>	<u>\$730,414</u>
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See accompanying notes to the basic financial statements

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

The Maple Heights City School District (the School District) operates under a locally elected five-member Board form of government and provides educational services as authorized by state and federal agencies. The Board controls a staff of 135 non-certificated employees, 229 certificated full-time teaching personnel, and 29 administrative employees to provide services to 3,715 students and other community members. The School District operates 3 elementary schools (K-6), 1 middle school (7-8), and 1 high school (9-12).

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

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

***Reporting Entity***

A reporting entity is 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, 2015*

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**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, 2015*

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**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, 2015*

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***Measurement Focus***

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

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

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

***Basis of Accounting***

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

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

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

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

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

***Budgetary Data***

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations at the function and object levels.

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

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

***Cash and Cash Equivalents***

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

During fiscal year 2015, 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, 2015.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$9,938, which includes \$7,600 assigned from other School District funds.

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

***Inventory***

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

***Capital Assets***

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

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of thirty-five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

***Interfund Balances***

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

***Compensated Absences***

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

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

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

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***Pensions***

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

***Operating Revenues and Expenses***

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

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

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

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Assigned** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance for public school support and to cover a gap between estimated revenue and appropriations in the fiscal year 2016 appropriated budget.

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

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

***Net Position***

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

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

***Restricted Assets***

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

***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.

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***Internal Activity***

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

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

***Bond Premiums***

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

***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 – Change in Accounting Principle and Restatement of Net Position**

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$50,530,287
Adjustments:	
Net Pension Liability	(57,087,085)
Deferred Outflow - Payments Subsequent to Measurement Date	2,838,614
	2,838,614
Restated Net Position June 30, 2014	(\$3,718,184)

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

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

**Note 4 – 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
<b>Restricted for:</b>						
Debt Service	\$0	\$3,259,007	\$0	\$0	\$0	\$3,259,007
Capital Projects	0	0	0	2,594,712	0	2,594,712
Classroom Maintenance	0	0	0	0	1,039,148	1,039,148
Food Service	0	0	0	0	802,247	802,247
District Managed Activities	0	0	0	0	18,722	18,722
Other Purposes	0	0	0	0	30,932	30,932
<b>Total Restricted</b>	<b>0</b>	<b>3,259,007</b>	<b>0</b>	<b>2,594,712</b>	<b>1,891,049</b>	<b>7,744,768</b>
<b>Assigned to:</b>						
Purchases on Order:						
Instruction	1,314	0	0	0	0	1,314
Support Services	10,667	0	0	0	0	10,667
Public School Support	19,399	0	0	0	0	19,399
2016 Appropriations	1,264,556	0	0	0	0	1,264,556
<b>Total Assigned</b>	<b>1,295,936</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,295,936</b>
<b>Unassigned (Deficit)</b>	<b>715,227</b>	<b>0</b>	<b>(2,003,593)</b>	<b>0</b>	<b>(378,207)</b>	<b>(1,666,573)</b>
<b>Total Fund Balances (Deficit)</b>	<b>\$2,011,163</b>	<b>\$3,259,007</b>	<b>(\$2,003,593)</b>	<b>\$2,594,712</b>	<b>\$1,512,842</b>	<b>\$7,374,131</b>

**Note 5 – Accountability**

**Accountability**

At June 30, 2015, the following funds had deficit fund balances:

Fund	Fund Balance
<b>Special Revenue Funds:</b>	
Other Grants	(\$28,029)
Public Preschool	(67,403)
Title VI-B	(171,070)
Carl Perkins	(8,186)
Title I School Improvement	(7,400)
Title I	(96,119)
<b>Capital Projects Fund:</b>	
Building	(2,003,593)

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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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 6 – Budgetary Basis of Accounting**

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Budgetary revenues and expenditures of the public school support fund are 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	\$1,661,050
Net Adjustment for Revenue Accruals	(206,883)
Net Adjustment for Expenditure Accruals	(267,478)
Advances Out	(323,783)
Perspective Difference:	
Public School Support	220,705
Adjustment for Encumbrances	(19,720)
Budget Basis	\$1,063,891

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 7 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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, \$1,660,293 of the School District's bank balance of \$13,197,265 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, 2015, 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*  
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**Note 8 – Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in calendar year 2015 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, 2015, are available to finance fiscal year 2015 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, 2015 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, 2015, was \$3,068,965 in the general fund, \$26,425 in the classroom facilities maintenance special revenue fund, \$742,049 in the bond retirement fund, and \$53,652 in the permanent improvement capital projects fund. The 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 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**  
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The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$285,097,020	96.67 %	\$278,576,210	96.43 %
Public Utility	9,827,910	3.33	10,316,280	3.57
	\$294,924,930	100.00 %	\$288,892,490	100.00 %
Full Tax Rate per \$1,000 of Assessed Valuation	\$81.20		\$88.20	

During fiscal year 2015, 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 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/14	Additions	Deletions	Balance 6/30/15
<i>Capital Assets, not being depreciated:</i>				
Land	\$5,460,268	\$0	\$0	\$5,460,268
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,689,442	0	0	1,689,442
Buildings and Improvements	105,828,519	2,201,617	0	108,030,136
Furniture and Equipment	1,870,365	20,020	0	1,890,385
Vehicles	1,655,269	80,018	0	1,735,287
<i>Total Capital Assets, being depreciated</i>	111,043,595	2,301,655	0	113,345,250
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(584,569)	(35,797)	0	(620,366)
Buildings and Improvements	(12,028,337)	(3,160,940)	0	(15,189,277)
Furniture and Equipment	(498,222)	(109,400)	0	(607,622)
Vehicles	(1,435,700)	(68,282)	0	(1,503,982)
<i>Total Accumulated Depreciation</i>	(14,546,828)	(3,374,419) *	0	(17,921,247)
<i>Total Capital Assets, being depreciated, net</i>	96,496,767	(1,072,764)	0	95,424,003
<b>Governmental Activities Capital Assets, Net</b>	\$101,957,035	(\$1,072,764)	\$0	\$100,884,271

**Maple Heights City School District**  
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\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,287,208
Vocational	8,824
Support Services:	
Instructional Staff	46,247
Administration	739,157
Business	5,144
Operation and Maintenance of Plant	17,228
Pupil Transportation	47,911
Extracurricular Activities	184,511
Food Service Operations	38,189
Total Depreciation Expense	\$3,374,419

**Note 10 – Receivables**

Receivables at June 30, 2015, 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:

Governmental Activities	Amount
Title I Grant	\$509,823
Title VI-B Grant	207,360
Early Childhood Education Grant	66,029
Federal Food Subsidies	54,423
Race To The Top Grant	12,608
Title I School Improvement Grant	7,400
Miscellaneous	6,072
Total Governmental Activities	\$863,715

**Note 11 – Risk Management**

***Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2015, the School District contracted for the following insurance coverage:

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Company	Type of Coverage	Coverage Amount
NGM Insurance	Treasurer's Bond	\$250,000
Ohio Casualty	Blanket Property	146,210,558
	Business Income/Extra Expense	3,000,000
	Inland Marine	902,408
	Flood	1,000,000
	Earthquake	1,000,000
	Employee Dishonesty	300,000
	Forgery & Alteration	50,000
	Computer Fraud	50,000
	General Liability, limit	1,000,000
	General Liability, aggregate	2,000,000
	Employee Benefits Liability, limit	1,000,000
	Employee Benefits Liability, aggregate	3,000,000
	Employer's Liability, limit	1,000,000
	Employer's Liability, aggregate	2,000,000
	Professional Liability, limit	1,000,000
	Professional Liability, aggregate	1,000,000
	Non-Monetary Relief Defense	100,000
	Sexual Misconduct, limit	1,000,000
	Sexual Misconduct, aggregate	1,000,000
	Innocent Party Defense	300,000
	Law Enforcement, limit	1,000,000
	Law Enforcement, aggregate	1,000,000
	Data Compromise	50,000
Fleet (Combined Single Limit)	1,000,000	
Fleet (Uninsured Motorist Limit)	500,000	
Umbrella	10,000,000	
Self-Insured Retention	10,000	
Travelers Insurance	Boiler and Machinery	50,000,000
	Excess Crime	500,000

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

***Workers' Compensation***

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

***Self-Insurance***

Medical insurance is offered to employees through a self-insurance internal service fund. The School District's monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. A specific excess loss coverage (stop-loss) insurance policy covers claims in excess of \$125,000 per employee, per year. The claims liability of \$137,854 reported in the internal service fund at June 30, 2015, 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.

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2014	\$345,873	\$1,961,784	\$2,020,075	\$287,582
2015	287,582	3,500,064	3,649,792	137,854

**Note 12 - Defined Benefit Pension Plans**

***Net Pension Liability***

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

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

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

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

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

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and

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beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$632,758 for fiscal year 2015. Of this amount \$40,496 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

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

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New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

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The School District's contractually required contribution to STRS was \$2,086,289 for fiscal year 2015. Of this amount \$303,500 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$8,824,412	\$39,219,723	\$48,044,135
Proportion of the Net Pension Liability	0.174363%	0.1612424%	
Pension Expense	\$518,186	\$1,512,822	\$2,031,008

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$75,105	\$377,575	\$452,680
School District contributions subsequent to the measurement date	<u>632,758</u>	<u>2,086,289</u>	<u>2,719,047</u>
Total Deferred Outflows of Resources	<u>\$707,863</u>	<u>\$2,463,864</u>	<u>\$3,171,727</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$1,432,227</u>	<u>\$7,255,797</u>	<u>\$8,688,024</u>

\$2,719,047 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$339,091)	(\$1,719,556)	(\$2,058,647)
2017	(339,091)	(1,719,556)	(2,058,647)
2018	(339,091)	(1,719,556)	(2,058,647)
2019	<u>(339,849)</u>	<u>(1,719,554)</u>	<u>(2,059,403)</u>
Total	<u>(\$1,357,122)</u>	<u>(\$6,878,222)</u>	<u>(\$8,235,344)</u>

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**Actuarial Assumptions - SERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$12,589,814	\$8,824,412	\$5,657,384

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$56,147,308	\$39,219,723	\$24,904,681

**Note 13 - Postemployment Benefits**

***School Employees Retirement System***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$76,568.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$38,294, \$6,888, and \$47,220, respectively. For fiscal year 2015, 95.35 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

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***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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$164,463, and \$171,172 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**Note 14 – 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, 2015, if applicable, cannot be determined at this time.

***School Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

***Litigation***

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

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**Note 15 – Long-Term Obligations**

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

	Amount Outstanding 6/30/14	Additions	Reductions	Amount Outstanding 6/30/15	Amount Due in One Year
<b><i>Certificates of Participation:</i></b>					
2008 Certificates of Participation					
Serial Portion	\$625,000	\$0	(\$115,000)	\$510,000	\$120,000
Term Portion	2,225,000	0	0	2,225,000	0
Premium	69,053	0	(4,603)	64,450	0
<b><i>Total Certificates of Participation</i></b>	<b>2,919,053</b>	<b>0</b>	<b>(119,603)</b>	<b>2,799,450</b>	<b>120,000</b>
<b><i>General Obligation Bonds:</i></b>					
2010 School Facilities Improvement					
Serial Portion	44,000,000	0	0	44,000,000	0
Capital Appreciation Bonds	1,143,679	0	(256,209)	887,470	226,723
Accretion	2,295,678	812,466	(618,791)	2,489,353	753,277
Premium	3,330,353	0	(144,798)	3,185,555	0
<b><i>Total 2010 School Facilities Improvement</i></b>	<b>50,769,710</b>	<b>812,466</b>	<b>(1,019,798)</b>	<b>50,562,378</b>	<b>980,000</b>
2013 School Facilities Refunding Bonds					
Serial Portion	6,500,000	0	(150,000)	6,350,000	150,000
Term Portion	1,555,000	0	0	1,555,000	0
Capital Appreciation Bonds	49,702	0	0	49,702	0
Accretion	21,558	18,161	0	39,719	0
Premium	1,687,002	0	(88,790)	1,598,212	0
<b><i>Total 2013 School Facilities Refunding Bonds</i></b>	<b>9,813,262</b>	<b>18,161</b>	<b>(238,790)</b>	<b>9,592,633</b>	<b>150,000</b>
<b><i>Total General Obligation Bonds</i></b>	<b>60,582,972</b>	<b>830,627</b>	<b>(1,258,588)</b>	<b>60,155,011</b>	<b>1,130,000</b>
<b><i>Other Long-term Obligation:</i></b>					
Net Pension Liability					
SERS	10,368,808	0	(1,544,396)	8,824,412	0
STRS	46,718,277	0	(7,498,554)	39,219,723	0
<b><i>Total Net Pension Liability</i></b>	<b>57,087,085</b>	<b>0</b>	<b>(9,042,950)</b>	<b>48,044,135</b>	<b>0</b>
Compensated Absences	2,930,693	207,276	(442,877)	2,695,092	127,280
<b><i>Total Governmental Activities</i></b>					
<b><i>Long-Term Liabilities</i></b>	<b>\$123,519,803</b>	<b>\$1,037,903</b>	<b>(\$10,864,018)</b>	<b>\$113,693,688</b>	<b>\$1,377,280</b>

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

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the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and annual appropriations. The base rent includes an interest component ranging from 4.25 percent to 6 percent. The School District has the option to purchase the Wylie Athletic Complex on any Lease Payment Date by paying \$100 plus the amount necessary to defease the Indenture.

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

<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, 2015, is \$6,120,000. The accretion recorded for 2015 was \$812,466, for a total outstanding bond liability of \$3,376,823.

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, 2015, \$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, 2015, is \$3,540,000. The accretion recorded for 2015 was \$18,161, for a total outstanding bond liability of \$89,421.

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

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.

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

The School District's overall debt margin was \$21,304,629 with an unvoted debt margin of \$288,892 at June 30, 2015. Principal and interest requirements to retire the debt outstanding at June 30, 2015 are as follows:

Fiscal Year Ending	Certificates of Participation					
	Serial		Term		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	0	0	145,000	129,150	145,000	129,150
2021-2025	0	0	850,000	502,500	850,000	502,500
2026-2029	0	0	1,230,000	181,800	1,230,000	181,800
Totals	<u>\$510,000</u>	<u>\$582,943</u>	<u>\$2,225,000</u>	<u>\$813,450</u>	<u>\$2,735,000</u>	<u>\$1,396,393</u>

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Fiscal Year Ending	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Accretion
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	165,000	2,350,074	0	0	129,845	1,310,155
2021-2025	9,430,000	10,427,186	540,000	573,861	0	0
2026-2030	13,550,000	7,475,250	1,015,000	835,763	0	0
2031-2035	16,605,000	5,000,811	0	0	49,702	3,490,298
2036-2038	9,975,000	758,250	0	0	0	0
Totals	<u>\$50,350,000</u>	<u>\$35,437,867</u>	<u>\$1,555,000</u>	<u>\$1,409,624</u>	<u>\$937,172</u>	<u>\$8,722,828</u>

**Note 16 – Short-Term Obligations**

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

	Outstanding 6/30/14	Additions	Deletions	Outstanding 6/30/14
<b>Capital Projects Fund - Building</b>				
2015 Energy Conservation Notes 1.25%	\$0	\$2,311,000	\$0	\$2,311,000
2014 Energy Conservation Notes 1.25%	2,411,000	0	(2,411,000)	0
Total Notes	<u>\$2,411,000</u>	<u>\$2,311,000</u>	<u>(\$2,411,000)</u>	<u>\$2,311,000</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 2015 energy conservation bond anticipation notes were issued to refinance 2014 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

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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 2015, the School District paid \$85,118 to NEOnet. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center, who serves as the fiscal agent, at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

***Ohio Schools Council***

The Ohio Schools Council (Council) is a jointly governed organization among 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 2015, the School District paid \$342,331 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director at the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

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

The School District also participates in the Council's current electric purchase program. The Power 4 Schools Program provides a fixed price rate for electricity supplied by First Energy Solutions of \$0.0602 per kwh for the generation of electricity. There are currently 251 participants in the program including the Maple Heights City School District. School districts are not charged a fee by OSC to participate in this program. School districts pay the utility (Ohio Edison, Toledo Edison or Cleveland Electric Illuminating Co.) directly and receive a discount for the fixed price of generation.

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**Note 18 – Employee Benefits**

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

**Note 19 – Interfund Activity**

*Interfund Transfers*

During fiscal year 2015, the School District made the following transfers:

Transfer to	Transfer From			Total
	General	Classroom Facilities	Other Governmental	
General	\$0	\$0	\$3,446	\$3,446
Building	0	710,769	0	710,769
Classroom Facilities	413,059	0	0	413,059
Other Governmental Funds	93,337	0	0	93,337
<b>Total</b>	<b>\$506,396</b>	<b>\$710,769</b>	<b>\$3,446</b>	<b>\$1,220,611</b>

The transfers from the general fund were made to support the activities of the receiving funds. Transfers between capital project funds were made to support capital outlays in those funds. The transfers from other governmental funds to the general fund were made for the purpose of closing out funds and cost centers no longer in use.

*Interfund Balances*

During fiscal year 2015, The School District had the following interfund balances:

	Interfund Balances	
	June 30, 2015	
	Receivables	Payables
<b>Governmental Activities:</b>		
General	\$402,353	\$0
Building		78,570
Other Governmental	0	323,783
<b>Total Governmental Activities</b>	<b>\$402,353</b>	<b>\$402,353</b>

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The general fund's advances to the building capital projects fund were to cover negative cash balances. The advances to the other governmental funds were to support the activities of those funds. As of June 30, 2015, all interfund balances are anticipated to be repaid in one year.

**Note 20 – Significant Commitments**

*Contractual Commitments*

At June 30, 2015, the School District an outstanding contractual commitment with JTO, Inc., in the amount of \$1,450,000. This amount was encumbered at fiscal year end.

*Encumbrances*

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

General	\$19,720
Building	7,748
Classroom Facilities	2,230,756
Other Governmental Funds	147,046
Total	\$2,405,270

**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, 2014	\$0
Current Year Set-Aside Requirement	625,269
Offsets During the Fiscal Year	(393,835)
Qualifying Disbursements	(296,826)
Totals	(\$65,392)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Balance as of June 30, 2015	\$0

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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 a building for various uses and copiers throughout its buildings. Total costs for the leases were \$113,465 for the fiscal year ended June 30, 2015. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending	Building A	Copiers	Total
2016	\$50,000	\$55,140	\$105,140
2017	50,000	55,140	105,140
2018	50,000	18,380	68,380
2019	4,167	0	4,167
	<u>\$154,167</u>	<u>\$128,660</u>	<u>\$282,827</u>

**Note 23 – Subsequent Events**

Following the fiscal year end, the remaining work to be done on the new School District facilities, the Stadium Construction Project Phase II, and the Athletic Center renovation were completed.

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.174363%	0.174363%
School District's Proportionate Share of the Net Pension Liability	\$8,824,412	\$10,368,808
School District's Covered-Employee Payroll	\$4,920,038	\$5,086,947
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	179.36%	203.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.1612424%	0.1612424%
School District's Proportionate Share of the Net Pension Liability	\$39,219,723	\$46,718,277
School District's Covered-Employee Payroll	\$16,408,879	\$17,496,292
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	239.02%	267.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

	2015	2014	2013	2012
Contractually Required Contribution	\$632,758	\$681,917	\$704,033	\$690,691
Contributions in Relation to the Contractually Required Contribution	<u>(632,758)</u>	<u>(681,917)</u>	<u>(704,033)</u>	<u>(690,691)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$4,800,893	\$4,920,038	\$5,086,947	\$5,135,252
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
\$699,227	\$862,541	\$647,910	\$635,807	\$655,800	\$617,637
<u>(699,227)</u>	<u>(862,541)</u>	<u>(647,910)</u>	<u>(635,807)</u>	<u>(655,800)</u>	<u>(617,637)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,562,667	\$6,370,321	\$6,584,455	\$6,474,618	\$6,140,449	\$5,837,779
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$2,086,289	\$2,133,154	\$2,274,518	\$2,327,728
Contributions in Relation to the Contractually Required Contribution	<u>(2,086,289)</u>	<u>(2,133,154)</u>	<u>(2,274,518)</u>	<u>(2,327,728)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$14,902,064	\$16,408,879	\$17,496,292	\$17,905,600
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$2,345,770	\$2,318,922	\$2,227,780	\$2,149,938	\$2,029,205	\$1,942,120
<u>(2,345,770)</u>	<u>(2,318,922)</u>	<u>(2,227,780)</u>	<u>(2,149,938)</u>	<u>(2,029,205)</u>	<u>(1,942,120)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$18,044,385	\$17,837,862	\$17,136,769	\$16,537,985	\$15,609,269	\$14,939,385
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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MAPLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
School Breakfast Program	2015	10.553	\$ 476,948	\$ -	\$ 408,381	\$ -
School Lunch Program	2015	10.555	1,405,432	105,174	1,203,387	105,174
Total Nutrition Cluster			1,882,380	105,174	1,611,768	105,174
Federal Fruits and Vegetables	2015	10.582	116,224	-	99,515	-
<b>Total U.S. Department of Agriculture</b>			<b>1,998,604</b>	<b>105,174</b>	<b>1,711,283</b>	<b>105,174</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	2014	84.010	309,069	-	281,805	-
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	2015	84.010	1,317,967	-	1,308,031	-
Total Title I, Part A			1,627,036	-	1,589,836	-
Special Education Cluster (IDEA):						
Special Education--Grants to States (IDEA, Part B)	2014	84.027	102,347	-	78,180	-
Special Education--Grants to States (IDEA, Part B)	2015	84.027	625,546	-	761,484	-
Total Special Education - Grants to States (IDEA, Part B)			727,893	-	839,664	-
Special Education--Preschool Grants (IDEA Preschool)	2014	84.173	29,676	-	29,676	-
Total Special Education - Preschool Grants (IDEA Preschool)			29,676	-	29,676	-
Total Special Education Cluster (IDEA)			757,569	-	869,340	-
Technology - Title II-D (Enhancing Education)	2014	84.318	-	-	165	-
Improving Teacher Quality - Title II-A	2014	84.367	15,363	-	11,870	-
Improving Teacher Quality - Title II-A	2015	84.367	90,019	-	90,019	-
Total Improving Teacher Quality State Grants			105,382	-	101,889	-
Title III, English Language Acquisition Grant	2014	84.365	-	-	2,001	-
Career and Technical Education – Basic Grants to States (Perkins IV)	2014	84.048	11,293	-	6,038	-
Career and Technical Education – Basic Grants to States (Perkins IV)	2015	84.048	62,302	-	70,485	-
Total Career and Technical Education – Basic Grants to States (Perkins IV)			73,595	-	76,523	-
Twenty-First Century Community Learning Centers	2014	84.287	36,450	-	34,613	-
ARRA - Race to the Top	2014	84.395	19,509	-	3,025	-
ARRA - Race to the Top	2015	84.395	110,111	-	110,979	-
Total Race To The Top			129,620	-	114,004	-
<b>Total U.S. Department of Education</b>			<b>2,729,652</b>	<b>-</b>	<b>2,788,371</b>	<b>-</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 4,728,256</b>	<b>\$ 105,174</b>	<b>\$ 4,499,654</b>	<b>\$ 105,174</b>

**MAPLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – 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 44147

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Maple Heights City School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 7, 2016, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this 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 style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 7, 2016



# 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, 2015. 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 program.

### ***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, 2015.

**Report on Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with 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 over 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

March 7, 2015

**MAPLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 3015**

**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 Program's Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Program:	Nutrition Cluster, CFDA #10.553 and #10.555
<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 FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

MAPLE HEIGHTS CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 22, 2016