



Dave Yost • Auditor of State



**MAPLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
JUNE 30, 2017**

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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 the Maple Heights City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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***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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

The Schedule is management's responsibility, and 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, the 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 September 26, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

September 26, 2018

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**Maple Heights City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*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, 2017. 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 2017 are as follows:

- Total net position decreased by \$6.9 million. Total liabilities increased by \$11.5 million while total assets decreased by \$3.7 million. The decrease in assets for fiscal year 2017 was primarily due to a decrease in cash and cash equivalents resulting from expenditures outpacing revenues for the fiscal year. The increase in liabilities was primarily due to an increase in net pension liability.
- Total revenues increased from \$51.3 million in fiscal year 2016 to \$51.8 million in fiscal year 2017. The increase in revenue was due primarily to receiving more in grants and entitlements not restricted to specific programs, which increased by \$1.8 million from the prior fiscal year. This was mainly due to increases in State foundation funding.

During fiscal year 2017, the School District was self insured for medical insurance benefits provided to School District employees. In the past, the School District experienced double digit percentage increases for employee benefits without the means to generate the revenue necessary to meet these increases. In an effort to curtail future double-digit percentage increases of employee benefits, the School District became self insured in fiscal year 2008 for purposes of cost containment. In addition, the School District has purchased stop loss insurance. The School District has also established an active Health Care Committee that will review any health insurance increases to the School District exceeding five percent and will discuss ways to offset those costs by either changing the benefits or increasing employee contributions.

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

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

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

**Maple Heights City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

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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 2017. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

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

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

**Maple Heights City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2017  
Unaudited

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2017 compared to fiscal year 2016:

**Table 1**  
Net Position  
Governmental Activities

	2017	2016	Change
<b>Assets</b>			
Current and Other Assets	\$38,666,961	\$40,207,386	(\$1,540,425)
Capital Assets, Net	95,727,828	97,861,145	(2,133,317)
<i>Total Assets</i>	<u>134,394,789</u>	<u>138,068,531</u>	<u>(3,673,742)</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	2,407,456	2,575,507	(168,051)
Pension	11,540,606	4,888,239	6,652,367
<i>Total Deferred Outflows of Resources</i>	<u>13,948,062</u>	<u>7,463,746</u>	<u>6,484,316</u>
<b>Liabilities</b>			
Current and Other Liabilities	7,453,144	6,577,282	(875,862)
Long-Term Liabilities:			
Due Within One Year	2,176,573	1,857,343	(319,230)
Due in More than One Year:			
Net Pension Liability	61,469,555	49,767,078	(11,702,477)
Other Amounts	63,719,643	65,076,871	1,357,228
<i>Total Liabilities</i>	<u>134,818,915</u>	<u>123,278,574</u>	<u>(11,540,341)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	14,049,537	11,604,473	(2,445,064)
Pension	2,909,265	7,160,422	4,251,157
<i>Total Deferred Inflows of Resources</i>	<u>16,958,802</u>	<u>18,764,895</u>	<u>1,806,093</u>
<b>Net Position</b>			
Net Investment in Capital Assets	36,498,047	37,535,587	(1,037,540)
Restricted:			
Capital Projects	0	4,003,383	(4,003,383)
Debt Service	3,928,199	3,289,418	638,781
Other Purposes	2,590,859	2,621,638	(30,779)
Unrestricted (Deficit)	(46,451,971)	(43,961,218)	(2,490,753)
<i>Total Net Position</i>	<u>(\$3,434,866)</u>	<u>\$3,488,808</u>	<u>(\$6,923,674)</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed that follow, 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.

**Maple Heights City School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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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.

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

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

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

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

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

Total assets decreased \$3.7 million from the prior fiscal year largely due to a decrease in capital assets. This decrease is due to depreciation outpacing capital asset additions during the fiscal year.

**Maple Heights City School District**  
*Management's Discussion and Analysis*  
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The significant increase in total deferred outflows of resources in fiscal year 2017 was due to an increase in the difference between projected and actual earnings on investments related to the School District's net pension liability for SERS and for STRS.

The net pension liability increased \$11.7 million from the prior fiscal year. This increase represents the School District's proportionate share of the unfunded benefits of the STRS and SERS plans. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

As a result of the significant increase in the net pension liability, the net position of the School District decreased by \$6.9 million during fiscal year 2017.

Table 2 shows the change in net position for fiscal year 2017 compared to fiscal year 2016.

**Table 2**  
Change in Net Position

	2017	2016	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$752,960	\$465,753	\$287,207
Operating Grants and Contributions	9,696,602	8,626,722	1,069,880
<i>Total Program Revenues</i>	<u>10,449,562</u>	<u>9,092,475</u>	<u>1,357,087</u>
General Revenues:			
Property Taxes	15,896,882	17,300,080	(1,403,198)
Grants and Entitlements not Restricted to Specific Programs	24,986,436	23,218,270	1,768,166
Investment Earnings	86,883	34,394	52,489
Unrestricted Contributions and Donations	5,013	4,377	636
Miscellaneous	361,294	1,656,173	(1,294,879)
<i>Total General Revenues</i>	<u>41,336,508</u>	<u>42,213,294</u>	<u>(876,786)</u>
<i>Total Revenues</i>	<u>51,786,070</u>	<u>51,305,769</u>	<u>480,301</u>
<b>Program Expenses</b>			
Instruction	33,365,702	28,099,038	(5,266,664)
Support Services:			
Pupil and Instructional Staff	4,061,637	3,265,165	(796,472)
Board of Education, Administration Fiscal and Business	6,365,518	5,549,975	(815,543)
Operation and Maintenance of Plant	4,137,236	3,734,941	(402,295)
Pupil Transportation	1,553,143	1,280,426	(272,717)
Central	12,563	14,410	1,847

(continued)

**Maple Heights City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

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

	2017	2016	Change
<b>Program Expenses (continued)</b>			
Operation of Non-Instructional Services	\$34,183	\$17,730	(\$16,453)
Extracurricular Activities	930,109	944,051	13,942
Food Services Operations	2,132,495	1,805,908	(326,587)
Intergovernmental	3,532,875	0	(3,532,875)
Interest and Fiscal Charges	2,584,283	2,103,059	(481,224)
<i>Total Program Expenses</i>	<u>58,709,744</u>	<u>46,814,703</u>	<u>(11,858,567)</u>
<i>Special Item - Settlement</i>	<u>0</u>	<u>900,000</u>	<u>(900,000)</u>
Change in Net Position	(6,923,674)	5,391,066	(12,314,740)
<i>Net Position Beginning of Year</i>	<u>3,488,808</u>	<u>(1,902,258)</u>	<u>5,391,066</u>
<i>Net Position End of Year</i>	<u><u>(\$3,434,866)</u></u>	<u><u>\$3,488,808</u></u>	<u><u>(\$6,923,674)</u></u>

In fiscal year 2017, total revenue increased for governmental activities from \$51.3 million to \$51.8 million, with an increase in program revenues and a decrease in general revenues. The vast majority of revenue supporting governmental activities is general revenue. General revenue decreased from \$42.2 million in fiscal year 2016 to \$41.3 million in fiscal year 2017. The primary source of the decrease was in property taxes. General revenue comprised 79.82 percent of total revenue.

Property taxes made up 30.7 percent of total revenues for governmental activities for the School District in fiscal year 2017. Overall, property tax revenue decreased by nearly \$1.4 million on a GAAP basis due to significantly lower amounts available as an advance at fiscal year-end, although actual property tax revenue increased from fiscal year 2016 on a cash basis, which is the basis used for the School District's day-to-day operations.

Program expenses increased from \$46.8 million in fiscal year 2016 to \$58.7 million in fiscal year 2017. The major program expense for governmental activities, as expected, is for instruction. Instructional costs were \$5.3 million higher than the prior fiscal year primarily due to increases related to the net pension liability. When combined with pupil and instructional staff support, these categories make up nearly 64 percent of expenses.

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

**Maple Heights City School District**  
*Management's Discussion and Analysis*  
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Unaudited

**Table 3**  
Governmental  
Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Instruction	\$33,365,702	(\$25,900,143)	\$28,099,038	(\$21,896,673)
Support Services:				
Pupil and Instructional Staff	4,061,637	(3,758,827)	3,265,165	(2,985,734)
Board of Education, Administration				
Fiscal and Business	6,365,518	(6,298,222)	5,549,975	(5,255,443)
Operation and Maintenance of Plant	4,137,236	(4,083,739)	3,734,941	(3,699,329)
Pupil Transportation	1,553,143	(1,330,002)	1,280,426	(1,154,731)
Central	12,563	(12,404)	14,410	(14,107)
Operation of Non-Instructional Services	34,183	(34,108)	17,730	(2,415)
Extracurricular Activities	930,109	(757,670)	944,051	(810,349)
Food Service Operations	2,132,495	32,091	1,805,908	199,612
Intergovernmental	3,532,875	(3,532,875)	0	0
Interest and Fiscal Charges	2,584,283	(2,584,283)	2,103,059	(2,103,059)
<i>Total</i>	<u>\$58,709,744</u>	<u>(\$48,260,182)</u>	<u>\$46,814,703</u>	<u>(\$37,722,228)</u>

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

### The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. A review of the School District's major funds demonstrates a decrease in fund balance for all major funds. All governmental funds had total revenues excluding other financing sources of \$51.1 million and expenditures excluding other financing uses of \$57.5 million. The net change in fund balance for the year was most significant in the general fund, where the fund balance went from \$4.2 million in fiscal year 2016 to \$2.4 million in fiscal year 2017. The main reason for this decrease was due to the decreases in property tax and miscellaneous revenue.

### General Fund Budgeting Highlights

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

During fiscal 2017, 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 \$42,623,204, above the original budget estimate of \$41,103,772, and slightly above actual revenues of \$42,615,457. Actual revenues were \$7,747 lower than the final estimate. This was primarily due to intergovernmental and property tax revenues. The final estimated expenditures were \$44,791,575, above the original budgeted expenditures of \$43,986,399, and above actual expenditures of \$42,330,484. Actual expenditures were \$2,461,091 lower than the final estimate. This was due to lower than expected expenditures across all programs in the general fund.

**Maple Heights City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

Total actual revenues on the budget basis were \$284,973 above expenditures (cash outlays plus encumbrances). After other financing sources and uses are included, the net change in fund balance was an increase of \$182,076.

**Capital Assets and Debt Administration**

*Capital Assets*

Table 4 shows fiscal year 2017 balances compared to fiscal year 2016. 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)

	2017	2016
Land	\$5,460,268	\$5,460,268
Construction in Progress	771,974	0
Land Improvements	1,044,762	1,077,594
Buildings and Improvements	86,805,071	89,761,781
Furniture and Equipment	1,304,956	1,336,457
Vehicles	340,797	225,045
Totals	\$95,727,828	\$97,861,145

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

*Debt Administration*

Table 5 summarizes the debt outstanding for fiscal years 2017 and 2016. More detailed information is presented in Notes 14, 15, and 16 to the basic financial statements.

**Table 5**  
 Outstanding Debt at June 30  
 Governmental Activities

	2017	2016
<b><i>Short-Term Notes:</i></b>		
Energy Conservation Notes	\$2,060,000	\$2,211,000
<b><i>Certificates of Participation:</i></b>		
2008 Certificates of Participation	2,545,244	2,674,847
<b><i>General Obligation Bonds:</i></b>		
2010 School Facilities Improvement Bonds	3,330,923	3,761,862
2013 School Facilities Refunding Bonds	9,161,295	9,376,577
2014 School Facilities Refunding Bonds	9,597,931	9,834,065
2015 School Facilities Refunding Bonds	38,188,204	38,482,349
<b><i>Other Long-Term Obligations:</i></b>		
Capital Lease	247,040	0
Total	\$65,130,637	\$66,340,700



**Maple Heights City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*  
*Unaudited*

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

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

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

The 2017 energy conservation note was issued to refinance the 2016 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, 2017, the School District's overall legal debt margin was \$0 with an unvoted debt margin of \$258,418. The debt is within permissible limits.

### **Current Issues**

The School District's five-year forecast continues to be the instrument used to make future financial decisions with regard to program and funding strategies.

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

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

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

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

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

**Maple Heights City School District**

*Statement of Net Position*

June 30, 2017

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$12,909,984
Cash Equivalents Held by Trustee	338,718
Accounts Receivable	8,904
Intergovernmental Receivable	1,031,890
Inventory Held for Resale	16,448
Property Taxes Receivable	24,361,017
Nondepreciable Capital Assets	6,232,242
Depreciable Capital Assets, Net	89,495,586
<i>Total Assets</i>	<u>134,394,789</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	2,407,456
Deferred Outflows - Pension	11,540,606
<i>Total Deferred Outflows of Resources</i>	<u>13,948,062</u>
<b>Liabilities</b>	
Accounts Payable	347,954
Accrued Wages and Benefits	2,725,541
Contracts Payable	307,518
Intergovernmental Payable	925,411
Matured Compensated Absences Payable	26,419
Claims Payable	237,079
Accrued Interest Payable	823,222
Notes Payable	2,060,000
Long-Term Liabilities:	
Due Within One Year	2,176,573
Due in More Than One Year:	
Net Pension Liability (See Note 12)	61,469,555
Other Amounts	63,719,643
<i>Total Liabilities</i>	<u>134,818,915</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	14,049,537
Deferred Inflows - Pension	2,909,265
<i>Total Deferred Inflows of Resources</i>	<u>16,958,802</u>
<b>Net Position</b>	
Net Investment in Capital Assets	36,498,047
Restricted for:	
Debt Service	3,928,199
Food Service	1,101,641
Classroom Maintenance	1,087,051
School Improvement	319,453
Other Purposes	82,714
Unrestricted (Deficit)	(46,451,971)
<i>Total Net Position</i>	<u><u>(\$3,434,866)</u></u>

See accompanying notes to the basic financial statements

**Maple Heights City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Total
<b>Governmental Activities</b>				
Instruction:				
Regular	\$25,720,742	\$291,763	\$2,501,518	(\$22,927,461)
Special	6,652,973	79,610	4,159,359	(2,414,004)
Vocational	671,003	8,210	420,692	(242,101)
Student Intervention Services	320,984	4,407	0	(316,577)
Support Services:				
Pupil	2,698,793	36,825	0	(2,661,968)
Instructional Staff	1,362,844	13,180	252,805	(1,096,859)
Board of Education	66,341	910	0	(65,431)
Administration	4,351,949	44,282	0	(4,307,667)
Fiscal	1,449,580	15,153	0	(1,434,427)
Business	497,648	6,951	0	(490,697)
Operation and Maintenance of Plant	4,137,236	53,497	0	(4,083,739)
Pupil Transportation	1,553,143	23,041	200,100	(1,330,002)
Central	12,563	159	0	(12,404)
Operation of Non-Instructional Services	34,183	75	0	(34,108)
Extracurricular Activities	930,109	153,311	19,128	(757,670)
Food Service Operations	2,132,495	21,586	2,143,000	32,091
Intergovernmental	3,532,875	0	0	(3,532,875)
Interest and Fiscal Charges	2,584,283	0	0	(2,584,283)
<b>Total</b>	<b>\$58,709,744</b>	<b>\$752,960</b>	<b>\$9,696,602</b>	<b>(48,260,182)</b>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				12,226,927
Special Revenue				136,785
Debt Service				3,031,957
Capital Outlay				501,213
Grants and Entitlements not Restricted to Specific Programs				24,986,436
Investment Earnings				86,883
Unrestricted Contributions and Donations				5,013
Miscellaneous				361,294
<b>Total General Revenues</b>				<b>41,336,508</b>
Change in Net Position				(6,923,674)
<i>Net Position Beginning of Year</i>				3,488,808
<i>Net Position End of Year</i>				<b>(\$3,434,866)</b>

See accompanying notes to the basic financial statements

**Maple Heights City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2017*

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$3,361,365	\$3,292,938	\$144,517	\$2,415,807	\$9,214,627
Receivables:					
Property Taxes Receivable	19,258,269	4,631,556	314,636	156,556	24,361,017
Accounts Receivable	8,667	0	0	237	8,904
Intergovernmental Receivable	342,725	0	0	689,165	1,031,890
Interfund Receivable	101,507	0	0	0	101,507
Inventory Held for Resale	0	0	0	16,448	16,448
Restricted Assets:					
Cash Equivalents Held by Trustee	0	0	338,718	0	338,718
<i>Total Assets</i>	<u>\$23,072,533</u>	<u>\$7,924,494</u>	<u>\$797,871</u>	<u>\$3,278,213</u>	<u>\$35,073,111</u>
<b>Liabilities</b>					
Accounts Payable	\$213,091	\$0	\$6,875	\$127,448	\$347,414
Accrued Wages and Benefits	2,484,795	0	0	240,746	2,725,541
Intergovernmental Payable	822,051	0	0	103,360	925,411
Contracts Payable	6,200	0	301,318	0	307,518
Interfund Payable	0	0	0	101,507	101,507
Matured Compensated Absences Payable	23,788	0	0	2,631	26,419
Accrued Interest Payable	0	0	10,286	0	10,286
Notes Payable	0	0	2,060,000	0	2,060,000
<i>Total Liabilities</i>	<u>3,549,925</u>	<u>0</u>	<u>2,378,479</u>	<u>575,692</u>	<u>6,504,096</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	11,088,271	2,693,722	178,363	89,181	14,049,537
Unavailable Revenue	6,051,072	1,421,332	102,068	381,216	7,955,688
<i>Total Deferred Inflows of Resources</i>	<u>17,139,343</u>	<u>4,115,054</u>	<u>280,431</u>	<u>470,397</u>	<u>22,005,225</u>
<b>Fund Balances</b>					
Restricted	0	3,809,440	0	2,325,395	6,134,835
Assigned	1,921,322	0	0	0	1,921,322
Unassigned (Deficit)	461,943	0	(1,861,039)	(93,271)	(1,492,367)
<i>Total Fund Balances (Deficit)</i>	<u>2,383,265</u>	<u>3,809,440</u>	<u>(1,861,039)</u>	<u>2,232,124</u>	<u>6,563,790</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$23,072,533</u>	<u>\$7,924,494</u>	<u>\$797,871</u>	<u>\$3,278,213</u>	<u>\$35,073,111</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, 2017*

<b>Total Governmental Funds Balances</b>		\$6,563,790
 <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.		95,727,828
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	7,617,001	
Intergovernmental	330,944	
Tuition and Fees	7,743	
Total	7,955,688	7,955,688
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities the statement of net position.		3,457,738
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(812,936)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Certificates of Participation	(2,490,000)	
Refunding Bonds	(50,520,000)	
Capital Appreciation Bonds	(758,967)	
Capital Leases	(247,040)	
Accretion	(3,003,763)	
Premium on Bonds and Certificates of Participation	(7,095,743)	
Discount on Bonds	1,044,876	
Compensated Absences	(2,825,579)	
Total	(65,896,216)	(65,896,216)
Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position.		2,407,456
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:		
Deferred Outflows - Pension	11,540,606	
Net Pension Liability	(61,469,555)	
Deferred Inflows - Pension	(2,909,265)	
Total	(52,838,214)	(52,838,214)
<i>Net Position of Governmental Activities</i>		<b>(\$3,434,866)</b>

See accompanying notes to the basic financial statements

**Maple Heights City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2017*

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$11,788,427	\$2,965,818	\$497,213	\$134,837	\$15,386,295
Intergovernmental	28,330,511	481,560	49,844	5,657,032	34,518,947
Interest	85,823	0	2	1,058	86,883
Charges for Services	40,774	0	0	21,586	62,360
Tuition and Fees	566,582	0	0	0	566,582
Extracurricular Activities	52,700	0	0	62,150	114,850
Contributions and Donations	23,432	0	0	500	23,932
Rentals	1,425	0	0	0	1,425
Miscellaneous	356,278	0	0	5,016	361,294
<i>Total Revenues</i>	<u>41,245,952</u>	<u>3,447,378</u>	<u>547,059</u>	<u>5,882,179</u>	<u>51,122,568</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	21,093,495	0	10,851	2,054,709	23,159,055
Special	5,710,315	0	0	734,664	6,444,979
Vocational	591,139	0	0	77,176	668,315
Student Intervention Services	320,984	0	0	0	320,984
Support Services:					
Pupil	2,678,507	0	0	9,440	2,687,947
Instructional Staff	999,598	0	0	371,429	1,371,027
Board of Education	66,341	0	0	0	66,341
Administration	3,320,478	0	49,500	379,774	3,749,752
Fiscal	1,408,633	70,960	7,799	0	1,487,392
Business	515,774	0	0	0	515,774
Operation and Maintenance of Plant	3,946,994	0	823,972	302,690	5,073,656
Pupil Transportation	1,705,380	0	0	1,494	1,706,874
Central	11,573	0	0	990	12,563
Operation of Non-Instructional Services	5,978	0	0	28,205	34,183
Extracurricular Activities	578,289	0	0	163,666	741,955
Food Service Operations	0	0	0	2,065,312	2,065,312
Capital Outlay	10,766	0	152,470	0	163,236
Debt Service:					
Principal Retirement	0	865,542	125,000	0	990,542
Interest and Fiscal Charges	0	1,720,225	182,896	0	1,903,121
Capital Appreciation Bonds Interest	0	829,458	0	0	829,458
Intergovernmental	0	0	0	3,532,875	3,532,875
<i>Total Expenditures</i>	<u>42,964,244</u>	<u>3,486,185</u>	<u>1,352,488</u>	<u>9,722,424</u>	<u>57,525,341</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,718,292)</u>	<u>(38,807)</u>	<u>(805,429)</u>	<u>(3,840,245)</u>	<u>(6,402,773)</u>
<b>Other Financing Sources (Uses)</b>					
Inception of Capital Lease	0	0	247,040	0	247,040
Transfers In	0	0	472,468	72,890	545,358
Transfers Out	(72,890)	0	0	(472,468)	(545,358)
<i>Total Other Financing Sources (Uses)</i>	<u>(72,890)</u>	<u>0</u>	<u>719,508</u>	<u>(399,578)</u>	<u>247,040</u>
<i>Net Change in Fund Balances</i>	(1,791,182)	(38,807)	(85,921)	(4,239,823)	(6,155,733)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>4,174,447</u>	<u>3,848,247</u>	<u>(1,775,118)</u>	<u>6,471,947</u>	<u>12,719,523</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$2,383,265</u>	<u>\$3,809,440</u>	<u>(\$1,861,039)</u>	<u>\$2,232,124</u>	<u>\$6,563,790</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, 2017*

<b>Net Change in Fund Balances -Total Governmental Funds</b>	(\$6,155,733)
 <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	1,248,431
Current Year Depreciation	<u>(3,381,498)</u>
Total	(2,133,067)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	
	(250)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Delinquent Property Taxes	510,587
Intergovernmental	145,172
Tuition Fees	<u>7,743</u>
Total	663,502
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	990,542
Capital Appreciation Bonds Interest	<u>829,458</u>
Total	1,820,000
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	786
Annual Accretion	(1,032,624)
Amortization of Premium	588,978
Amortization of Discount	(70,251)
Amortization of Deferred Charge	<u>(168,051)</u>
Total	(681,162)
Other financing sources such as inception of capital lease in the governmental funds increase long-term liabilities in the statement of net position.	
	(247,040)
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.	
	(21,065)
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.	
	630,094
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
	3,160,405
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>(3,959,358)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>(\$6,923,674)</u></u>

See accompanying notes to the basic financial statements

**Maple Heights City School District**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$13,082,259	\$13,565,855	\$13,563,389	(\$2,466)
Intergovernmental	27,172,441	28,176,890	28,171,769	(5,121)
Interest	86,483	89,680	89,664	(16)
Charges for Services	8,898	9,227	9,225	(2)
Tuition and Fees	376,216	390,123	390,052	(71)
Extracurricular Activities	298	309	309	0
Contributions and Donations	4,835	5,014	5,013	(1)
Rentals	1,374	1,425	1,425	0
Miscellaneous	370,968	384,681	384,611	(70)
<i>Total Revenues</i>	<u>41,103,772</u>	<u>42,623,204</u>	<u>42,615,457</u>	<u>(7,747)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	21,591,665	21,991,918	20,765,837	1,226,081
Special	5,845,019	5,952,013	5,624,135	327,878
Vocational	610,214	621,384	587,154	34,230
Student Intervention Services	333,590	339,697	320,984	18,713
Support Services:				
Pupil	2,743,002	2,793,213	2,639,343	153,870
Instructional Staff	1,033,351	1,052,266	994,300	57,966
Board of Education	68,947	70,209	66,627	3,582
Administration	3,368,541	3,430,203	3,243,099	187,104
Fiscal	1,437,007	1,458,298	1,393,053	65,245
Business	527,009	536,656	507,093	29,563
Operation and Maintenance of Plant	4,043,567	4,117,585	3,890,965	226,620
Pupil Transportation	1,845,899	1,879,688	1,779,089	100,599
Central	15,676	15,963	15,084	879
Operation of Non-Instructional Services	5,712	5,816	5,496	320
Extracurricular Activities	506,011	515,273	487,459	27,814
Capital Outlay	11,189	11,393	10,766	627
<i>Total Expenditures</i>	<u>43,986,399</u>	<u>44,791,575</u>	<u>42,330,484</u>	<u>2,461,091</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,882,627)</u>	<u>(2,168,371)</u>	<u>284,973</u>	<u>2,453,344</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	68,964	71,513	71,500	(13)
Advances Out	(105,494)	(107,425)	(101,507)	5,918
Transfers Out	(75,753)	(77,139)	(72,890)	4,249
<i>Total Other Financing Sources (Uses)</i>	<u>(112,283)</u>	<u>(113,051)</u>	<u>(102,897)</u>	<u>10,154</u>
<i>Net Change in Fund Balance</i>	(2,994,910)	(2,281,422)	182,076	2,463,498
<i>Fund Balance Beginning of Year</i>	3,084,171	3,084,171	3,084,171	0
Prior Year Encumbrances Appropriated	65,370	65,370	65,370	0
<i>Fund Balance End of Year</i>	<u>\$154,631</u>	<u>\$868,119</u>	<u>\$3,331,617</u>	<u>\$2,463,498</u>

See accompanying notes to the basic financial statements



**Maple Heights City School District**

*Statement of Fund Net Position*

*Internal Service Fund*

*June 30, 2017*

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	<u>Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,695,357</u>
<b>Liabilities</b>	
Accounts Payable	540
Claims Payable	<u>237,079</u>
<i>Total Liabilities</i>	<u>237,619</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$3,457,738</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, 2017*

	Insurance
<b>Operating Revenues</b>	
Charges for Services	\$4,922,959
Other	5,893
<i>Total Operating Revenues</i>	4,928,852
<b>Operating Expenses</b>	
Claims	4,288,695
Other	10,063
<i>Total Operating Expenses</i>	4,298,758
<i>Change in Net Position</i>	630,094
<i>Net Position Beginning of Year</i>	2,827,644
<i>Net Position End of Year</i>	\$3,457,738

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, 2017

	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	\$4,922,959
Cash Received from Other Sources	5,893
Cash Payments for Claims	(4,240,519)
Cash Payments for Other Purposes	(9,523)
	678,810
<i>Net Increase in Cash and Cash Equivalents</i>	678,810
<i>Cash and Cash Equivalents Beginning of Year</i>	3,016,547
<i>Cash and Cash Equivalents End of Year</i>	\$3,695,357
 <b><i>Reconciliation of Operating Income</i></b>	
<b><i>to Net Cash Provided by Operating Activities</i></b>	
<i>Operating Income</i>	\$630,094
<b>Adjustments</b>	
Increase in Liabilities:	
Accounts Payable	540
Claims Payable	48,176
	48,716
<i>Total Adjustments</i>	48,716
<i>Net Cash Provided by Operating Activities</i>	\$678,810

See accompanying notes to the basic financial statements

**Maple Heights City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2017*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u>\$750,103</u>
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**Liabilities**

Undistributed Monies	\$704,070
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Due to Students	<u>46,033</u>
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<i>Total Liabilities</i>	<u>\$750,103</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, 2017*

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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 157 non-certificated employees, 214 certificated full-time teaching personnel, and 33 administrative employees to provide services to 3,715 students and other community members. The School District operates 3 elementary schools (K-5), 1 middle school (6-8), and 1 high school (9-12).

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

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

***Reporting Entity***

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

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

The School District participates in two jointly governed organizations, the Northeast Ohio Network for Educational Technology and Ohio Schools Council. These organizations are presented in Note 18 to the basic financial statements.

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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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 as follows.

***Basis of Presentation***

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

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

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

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

***Fund Accounting***

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

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

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

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

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

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

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

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

**Measurement Focus**

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

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

***Basis of Accounting***

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

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

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

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on



**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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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, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

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

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

***Budgetary Data***

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

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

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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***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 2017, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79 "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates their value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$85,823, which includes \$64,961 assigned from other School District funds.

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

***Inventory***

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

***Capital Assets***

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

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
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All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

***Interfund Balances***

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

***Compensated Absences***

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

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

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

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

***Accrued Liabilities and Long-Term Obligations***

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

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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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.

***Fund Balance***

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated. The School District Board of Education has also assigned fund balance for public school support and to cover a gap between fiscal year 2018's estimated revenue and appropriated budget.

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

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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***Net Position***

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

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

***Restricted Assets***

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

***Operating Revenues and Expenses***

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

***Internal Activity***

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

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

***Bond Premiums***

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
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Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

***Bond Discounts***

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

***Deferred Charges on Refunding***

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

***Estimates***

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

**Note 3 – Changes in Accounting Principles**

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, the School District had no abatements that met the GASB 77 definition.

The School District also implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

**Note 4 – Budgetary Basis of Accounting**

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

2. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
3. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
4. Budgetary revenues and expenditures of the public school support fund are reclassified to the general fund for GAAP reporting.
5. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	(\$1,791,182)
Net Adjustment for Revenue Accruals	1,472,745
Advances In	71,500
Net Adjustment for Expenditure Accruals	536,393
Advances Out	(101,507)
Perspective Differences:	
Public School Support	465
Adjustment for Encumbrances	(6,338)
Budget Basis	\$182,076

**Note 5 – Accountability**

At June 30, 2017, the following funds had deficit fund balances:

Fund	Fund Balance
<b><i>Special Revenue Funds:</i></b>	
Public Preschool	\$22,160
Title VI-B	70,487
Carl Perkins	624
<b><i>Capital Projects Fund:</i></b>	
Building	1,861,039

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

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2017

**Note 6 – Fund Balances**

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

Fund Balances	General	Bond Retirement	Building	Other Governmental Funds	Total
<i>Restricted for:</i>					
Debt Service	\$0	\$3,809,440	\$0	\$0	\$3,809,440
Classroom Maintenance	0	0	0	1,036,779	1,036,779
Food Service	0	0	0	1,146,041	1,146,041
School Improvement	0	0	0	107,832	107,832
Other Purposes	0	0	0	34,743	34,743
<i>Total Restricted</i>	<u>0</u>	<u>3,809,440</u>	<u>0</u>	<u>2,325,395</u>	<u>6,134,835</u>
<i>Assigned to:</i>					
Purchases on Order:					
Support Services	1,775	0	0	0	1,775
Public School Support	21,721	0	0	0	21,721
Fiscal Year 2018 Operations	1,897,826	0	0	0	1,897,826
<i>Total Assigned</i>	<u>1,921,322</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,921,322</u>
<i>Unassigned (Deficit)</i>	<u>461,943</u>	<u>0</u>	<u>(1,861,039)</u>	<u>(93,271)</u>	<u>(1,492,367)</u>
<b>Total Fund Balances (Deficit)</b>	<u><u>\$2,383,265</u></u>	<u><u>\$3,809,440</u></u>	<u><u>(\$1,861,039)</u></u>	<u><u>\$2,232,124</u></u>	<u><u>\$6,563,790</u></u>

**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.



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*Notes to the Basic Financial Statements*  
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Interim monies held by the School District can be deposited or invested in the following securities:

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

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

### **Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,004,548 of the School District's bank balance of \$2,255,186 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 and five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at one hundred and two percent or a rate set by the Treasurer of State. Financial institutions opting not to participate in OPCS will collateralize utilizing the specific pledge method at one hundred and five percent.

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
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**Investments**

As of June 30, 2017, the School District had investments in STAR Ohio in the amount of \$11,345,059. STAR Ohio investments are valued using Net Asset Value (NAV) per share and had an average maturity at fiscal year-end of 45.5 days.

**Note 8 – Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, and are collected in calendar year 2017 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, 2017, are available to finance fiscal year 2017 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, 2017, 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, 2017, was \$2,126,669 in the general fund, \$17,103 in the classroom facilities maintenance special revenue fund, \$516,502 in the bond retirement fund, and \$34,205 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2016, was \$3,901,631 in the general fund, \$32,266 in the classroom facilities maintenance special revenue fund, \$896,996 in the bond retirement fund, and \$64,532 in the permanent improvement capital projects fund. The 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 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$250,908,160	95.96 %	\$247,255,070	95.68 %
Public Utility	10,561,300	4.04	11,163,270	4.32
	<u>\$261,469,460</u>	<u>100.00 %</u>	<u>\$258,418,340</u>	<u>100.00 %</u>

Full Tax Rate per \$1,000 of Assessed Valuation	\$88.20	\$91.50
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During fiscal year 2017, property tax values decreased in the School District. This caused the tax rate to increase so that the emergency levy and bond levy would meet their collection amounts.

**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 6/30/16	Additions	Deletions	Balance 6/30/17
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$5,460,268	\$0	\$0	\$5,460,268
Construction in Progress	0	771,974	0	771,974
<i>Total Capital Assets, not being depreciated</i>	<u>5,460,268</u>	<u>771,974</u>	<u>0</u>	<u>6,232,242</u>
<b><i>Capital Assets, being depreciated:</i></b>				
Land Improvements	1,730,542	0	(135,793)	1,594,749
Buildings and Improvements	108,116,574	223,720	(395,108)	107,945,186
Furniture and Equipment	2,064,311	94,601	0	2,158,912
Vehicles	1,789,793	158,136	(84,266)	1,863,663
<i>Total Capital Assets, being depreciated</i>	<u>113,701,220</u>	<u>476,457</u>	<u>(615,167)</u>	<u>113,562,510</u>
<b><i>Less Accumulated Depreciation:</i></b>				
Land Improvements	(652,948)	(32,582)	135,543	(549,987)
Buildings and Improvements	(18,354,793)	(3,180,430)	395,108	(21,140,115)
Furniture and Equipment	(727,854)	(126,102)	0	(853,956)
Vehicles	(1,564,748)	(42,384)	84,266	(1,522,866)
<i>Total Accumulated Depreciation</i>	<u>(21,300,343)</u>	<u>(3,381,498) *</u>	<u>614,917</u>	<u>(24,066,924)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>92,400,877</u>	<u>(2,905,041)</u>	<u>(250)</u>	<u>89,495,586</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$97,861,145</u>	<u>(\$2,133,067)</u>	<u>(\$250)</u>	<u>\$95,727,828</u>

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
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\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,306,197
Special	473
Vocational	8,916
Support Services:	
Instructional Staff	48,924
Administration	739,157
Operation and Maintenance of Plant	25,658
Pupil Transportation	34,743
Extracurricular Activities	179,241
Food Service Operations	38,189
	<hr/>
Total Depreciation Expense	<u><u>\$3,381,498</u></u>

**Note 10 – Receivables**

Receivables at June 30, 2017, consisted of taxes, accounts (miscellaneous), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected in one year.

A summary of the principal items of intergovernmental receivable follows:

<u>Governmental Activities</u>	<u>Amount</u>
Title I Grant	\$492,589
State Foundation Tuition	183,983
Workers' Compensation Rebate	111,242
Title VI-B Grant	74,006
Miscellaneous Federal Grants	48,852
Medicaid Reimbursements	42,974
Early Childhood Education Grant	39,849
Federal Food Subsidies	22,509
Miscellaneous County Grants	10,394
Miscellaneous	4,735
Title I School Improvement Grant	757
	<hr/>
Total Governmental Activities	<u><u>\$1,031,890</u></u>

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**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 2017, the School District contracted for the following insurance coverage:

Company	Type of Coverage	Coverage Amount
NGM Insurance	Treasurer's Bond	\$250,000
Ohio Casualty	Blanket Property	150,596,876
	Business Income/Extra Expense	3,060,000
	Inland Marine	902,408
	Flood	1,000,000
	Earthquake	1,000,000
	Employee Dishonesty	1,000,000
	Forgery & Alteration	50,000
	Computer Fraud	50,000
	General Liability, limit	1,000,000
	General Liability, aggregate	2,000,000
	Employee Benefits Liability, limit	1,000,000
	Employee Benefits Liability, aggregate	3,000,000
	Employer's Liability, limit	1,000,000
	Employer's Liability, aggregate	2,000,000
	Professional Liability, limit	1,000,000
	Professional Liability, aggregate	1,000,000
	Non-Monetary Relief Defense	100,000
	Sexual Misconduct, limit	1,000,000
	Sexual Misconduct, aggregate	1,000,000
	Innocent Party Defense	300,000
	Law Enforcement, limit	1,000,000
	Law Enforcement, aggregate	1,000,000
Data Compromise	50,000	
Fleet (Combined Single Limit)	1,000,000	
Fleet (Uninsured Motorist Limit)	500,000	
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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
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\$150,000 per employee, per year. The claims liability of \$237,079 reported in the internal service fund at June 30, 2017, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2016	\$137,854	\$3,858,787	\$3,807,738	\$188,903
2017	188,903	4,288,695	4,240,519	237,079

**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.

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

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first 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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$778,365 for fiscal year 2017. Of this amount \$92,512 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 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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
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information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 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 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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



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Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$2,382,040 for fiscal year 2017. Of this amount \$323,613 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, 2016, 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>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.16046860%	0.14694241%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.16074990%</u>	<u>0.14849020%</u>	
Change in Proportionate Share	<u>0.00028130%</u>	<u>0.00154779%</u>	
Proportionate Share of the Net Pension Liability	\$11,765,409	\$49,704,146	\$61,469,555
Pension Expense	\$1,029,219	\$2,930,139	\$3,959,358

At June 30, 2017, 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	\$158,688	\$2,008,287	\$2,166,975
Changes of assumptions	785,405	0	785,405
Net difference between projected and actual earnings on pension plan investments	970,475	4,126,779	5,097,254
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	9,089	321,478	330,567
School District contributions subsequent to the measurement date	<u>778,365</u>	<u>2,382,040</u>	<u>3,160,405</u>
Total Deferred Outflows of Resources	<u>\$2,702,022</u>	<u>\$8,838,584</u>	<u>\$11,540,606</u>
<b>Deferred Inflows of Resources</b>			
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>\$421,216</u>	<u>\$2,488,049</u>	<u>\$2,909,265</u>

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\$3,160,405 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$284,683	\$222,386	\$507,069
2019	283,983	222,387	506,370
2020	654,804	1,805,945	2,460,749
2021	278,971	1,717,777	1,996,748
Total	\$1,502,441	\$3,968,495	\$5,470,936

***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, 2016, compared with June 30, 2015, are presented as follows:

Method	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

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For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

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

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

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

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. 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 (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$15,576,669	\$11,765,409	\$8,575,227

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**Actuarial Assumptions – STRS**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
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 commences on fifth anniversary of retirement date.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	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
<b>Total</b>	<b>100.00 %</b>	<b>7.61 %</b>

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of

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future plan members, are excluded. 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, 2016. 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, 2016.

***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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$66,052,771	\$49,704,146	\$35,913,117

***Changes Between Measurement Date and Report Date***

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's net pension liability is expected to be significant.

**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. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self insurance and prescription drug plans, respectively. 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. 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 2017, the School District’s surcharge obligation was \$93,260.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the total amount assigned to the Health Care Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$93,260, \$83,520, and \$38,294, respectively. The full amount has been contributed for fiscal years 2016 and 2015.

***State Teachers Retirement System***

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](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 discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

**Note 14 – Short-Term Obligations**

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

	Outstanding 6/30/16	Additions	Deletions	Outstanding 6/30/17
<b>Capital Projects Fund - Building</b>				
2016 Energy Conservation Notes 1.50%	\$2,211,000	\$0	(\$2,211,000)	\$0
2017 Energy Conservation Notes 2.25%	0	2,060,000	0	2,060,000
Total Notes	<u>\$2,211,000</u>	<u>\$2,060,000</u>	<u>(\$2,211,000)</u>	<u>\$2,060,000</u>

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All of the notes are backed by the full faith and credit of the School District and mature within one year. The note liability is reflected in the building capital projects fund which received the proceeds of the original notes.

The 2017 energy conservation bond anticipation notes were issued to refinance 2016 energy conservation notes. Originally these notes were issued to replace heating systems at Dunham and Raymond Elementary Schools, lighting systems and steam traps in all School District buildings and exterior windows at Rockside Elementary.

**Note 15 – Long-Term Obligations**

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

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

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

	Amount Outstanding 6/30/16	Additions	Reductions	Amount Outstanding 6/30/17	Amount Due in One Year
<b>Certificates of Participation:</b>					
2008 Certificates of Participation:					
Serial Portion	\$390,000	\$0	(\$125,000)	\$265,000	\$130,000
Term Portion	2,225,000	0	0	2,225,000	0
Premium	59,847	0	(4,603)	55,244	0
<i>Total Certificates of Participation</i>	<u>2,674,847</u>	<u>0</u>	<u>(129,603)</u>	<u>2,545,244</u>	<u>130,000</u>
<b>General Obligation Bonds:</b>					
2010 School Facilities Improvement:					
Capital Appreciation Bonds	660,747	0	(185,542)	475,205	185,593
Accretion	2,521,924	728,859	(829,458)	2,421,325	1,099,407
Premium	579,191	0	(144,798)	434,393	0
<i>Total 2010 School Facilities Improvement</i>	<u>3,761,862</u>	<u>728,859</u>	<u>(1,159,798)</u>	<u>3,330,923</u>	<u>1,285,000</u>
2013 School Facilities Refunding Bonds:					
Serial Portion	6,200,000	0	(155,000)	6,045,000	160,000
Term Portion	1,555,000	0	0	1,555,000	0
Capital Appreciation Bonds	49,702	0	0	49,702	0
Accretion	62,453	28,508	0	90,961	0
Premium	1,509,422	0	(88,790)	1,420,632	0
<i>Total 2013 School Facilities Refunding Bonds</i>	<u>9,376,577</u>	<u>28,508</u>	<u>(243,790)</u>	<u>9,161,295</u>	<u>160,000</u>
2014 School Facilities Refunding Bonds:					
Serial Portion	1,525,000	0	(140,000)	1,385,000	145,000
Term Portion	7,155,000	0	0	7,155,000	0
Capital Appreciation Bonds	19,972	0	0	19,972	0
Accretion	20,558	23,708	0	44,266	0
Premium	1,385,808	0	(149,145)	1,236,663	0
Discount	(272,273)	0	29,303	(242,970)	0
<i>Total 2014 School Facilities Refunding Bonds</i>	<u>9,834,065</u>	<u>23,708</u>	<u>(259,842)</u>	<u>9,597,931</u>	<u>145,000</u>
2015 School Facilities Refunding Bonds:					
Serial Portion	15,515,000	0	(385,000)	15,130,000	400,000
Term Portion	19,250,000	0	0	19,250,000	0
Capital Appreciation Bonds	214,088	0	0	214,088	0
Accretion	195,662	251,549	0	447,211	0
Premium	4,150,453	0	(201,642)	3,948,811	0
Discount	(842,854)	0	40,948	(801,906)	0
<i>Total 2015 School Facilities Refunding Bonds</i>	<u>38,482,349</u>	<u>251,549</u>	<u>(545,694)</u>	<u>38,188,204</u>	<u>400,000</u>
<i>Total General Obligation Bonds</i>	<u>61,454,853</u>	<u>1,032,624</u>	<u>(2,209,124)</u>	<u>60,278,353</u>	<u>1,990,000</u>
<b>Net Pension Liability:</b>					
SERS	9,156,493	2,608,916	0	11,765,409	0
STRS	40,610,585	9,093,561	0	49,704,146	0
<i>Total Net Pension Liability</i>	<u>49,767,078</u>	<u>11,702,477</u>	<u>0</u>	<u>61,469,555</u>	<u>0</u>
<b>Other Long-Term Obligations:</b>					
Capital Leases	0	247,040	0	247,040	47,245
Compensated Absences	2,804,514	47,484	(26,419)	2,825,579	9,328
<i>Total Other Long-Term Obligations</i>	<u>2,804,514</u>	<u>294,524</u>	<u>(26,419)</u>	<u>3,072,619</u>	<u>56,573</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$116,701,292</u>	<u>\$13,029,625</u>	<u>(\$2,365,146)</u>	<u>\$127,365,771</u>	<u>\$2,176,573</u>



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

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

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

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

The 2010 school facilities improvement general obligation bonds were issued in the amount of \$55,734,932 to retire the school facilities improvement notes, which were originally issued for the construction of new elementary, middle, and high school buildings in the School District. These bonds included serial, term, and capital appreciation bonds. The bonds will be paid from the bond retirement debt service fund. These bonds were partially refunded in fiscal year 2013 and fiscal year 2015.

Interest on the capital appreciation bonds will be accreted annually until the point of maturity of the capital appreciation bonds, which is 2013 through 2020. The final maturity amount of outstanding capital appreciation bonds at June 30, 2017, is \$4,125,000. The accretion recorded for 2017 was \$728,859, for a total outstanding bond liability of \$2,896,530.

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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, 2017, \$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, 2017, is \$3,540,000. The accretion recorded for fiscal year 2017 was \$28,508, for a total outstanding bond liability of \$140,663.

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

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	\$175,000	\$185,000	\$195,000	\$210,000
<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.

On December 30, 2014, the School District issued \$8,824,972 in general obligation bonds for the purpose of refunding a portion of the 2010 school facilities improvement bond issue in order to take advantage of lower interest rates. As a result, \$8,830,000 of the 2010 bonds were considered defeased and the liability for the refunded bonds has been removed from the School District's financial statements. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2017, \$8,830,000 of the defeased bonds are still outstanding. The bonds will be paid from the bond retirement debt service fund.

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Interest on the capital appreciation bonds will be accreted annually until the point of maturity of the capital appreciation bonds, which is 2025. The final maturity amount of outstanding capital appreciation bonds at June 30, 2017, is \$2,040,000. The accretion recorded for fiscal year 2017 was \$23,708, for a total outstanding bond liability of \$64,238.

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

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

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

On March 11, 2015, the School District issued \$35,154,088 in general obligation bonds for the purpose of refunding a portion of the 2010 school facilities improvement bond issue in order to take advantage of lower interest rates. As a result, \$35,170,000 of the 2010 bonds were considered defeased and the liability for the refunded bonds has been removed from the School District's financial statements. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2017, \$35,170,000 of the defeased bonds are still outstanding. The bonds will be paid from the bond retirement debt service fund.

Interest on the capital appreciation bonds will be accreted annually until the point of maturity of the capital appreciation bonds, which is 2021 through 2023. The final maturity amount of outstanding capital appreciation bonds at June 30, 2017, is \$5,230,000. The accretion recorded for fiscal year 2017 was \$251,549, for a total outstanding bond liability of \$661,299.

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

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

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

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

There is no repayment schedule for the net pension liability; however, employer pension contributions are made from the general fund and the food service, other local grants, public preschool, title VI-B, and title I special revenue funds. Compensated absences will be paid from the general fund and the food service, public preschool, title VI-B, and title I special revenue funds. The capital lease will be paid from the building capital projects fund.

The overall debt margin of the School District as of June 30, 2017, was \$0 with an unvoted debt margin of \$258,418. The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the nine percent limit to finance additional facilities, the State Department of Education may declare that school district a “special needs” school district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district’s assessed valuation. The Maple Heights City School District was determined to be a “special needs” school district by the State Superintendent.

Principal and interest requirements to retire the debt outstanding at June 30, 2017, are as follows:

Fiscal Year	Certificates of Participation					
	Serial		Term		Total	
	Ending	Principal	Interest	Principal	Interest	Principal
2018	\$130,000	\$143,000	\$0	\$0	\$130,000	\$143,000
2019	135,000	136,706	0	0	135,000	136,706
2020	0	0	145,000	129,150	145,000	129,150
2021	0	0	150,000	120,300	150,000	120,300
2022	0	0	160,000	111,000	160,000	111,000
2023-2027	0	0	960,000	393,900	960,000	393,900
2028-2029	0	0	810,000	59,100	810,000	59,100
Total	\$265,000	\$279,706	\$2,225,000	\$813,450	\$2,490,000	\$1,093,156

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Fiscal Year Ending	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Accretion
2018	\$705,000	\$1,701,374	\$0	\$0	\$185,593	\$1,099,407
2019	720,000	1,682,625	0	0	159,768	1,240,232
2020	745,000	1,663,424	0	0	129,845	1,310,155
2021	1,325,000	1,642,725	0	0	64,298	880,702
2022	330,000	1,586,224	0	0	91,075	2,028,925
2023-2027	8,345,000	6,107,363	1,075,000	1,409,799	78,687	4,126,313
2028-2032	1,300,000	293,874	12,990,000	5,094,363	49,701	3,490,299
2033-2037	9,090,000	299,537	13,895,000	2,318,775	0	0
Total	<u>\$22,560,000</u>	<u>\$14,977,146</u>	<u>\$27,960,000</u>	<u>\$8,822,937</u>	<u>\$758,967</u>	<u>\$14,176,033</u>

**Note 16 – Leases**

*Capital Leases*

The School District has an existing lease for the purchase of LED lighting. The lease obligation meets the criteria of a capital lease and has been recorded on the government-wide statements. The original amounts capitalized for the capital lease and the book value as of June 30, 2017, is as follows:

	<u>Amounts</u>
Asset:	
Buildings and Improvements	\$210,261
Less: Accumulated Depreciation	<u>(14,017)</u>
Current Book Value	<u>\$196,244</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2017.

Fiscal Year Ending June 30	<u>Governmental Activities</u>
2018	\$90,080
2019	43,571
2020	43,571
2021	43,571
2022	<u>43,571</u>
Total	264,364
Less: Amount Representing Interest	<u>(17,324)</u>
Present Value of Net Minimum Lease Payments	<u>\$247,040</u>

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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***Operating Leases***

The School District leases a building for various uses and copiers throughout its buildings. Total costs for the leases were \$108,312 for the fiscal year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending	Building	Copiers	Total
2018	\$50,000	\$21,225	\$71,225
2019	4,167	2,534	6,701
2019	0	2,534	2,534
2019	0	1,521	1,521
2019	0	296	296
Total	<u>\$54,167</u>	<u>\$28,110</u>	<u>\$82,277</u>

**Note 17 – 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, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, 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. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

***Litigation***

The School District was not a party to legal proceedings as of June 30, 2017.

**Note 18 – Jointly Governed Organizations**

***Northeast Ohio Network for Educational Technology***

The Northeast Ohio Network for Educational Technology (NEOnet) is the computer service organization or Information Technology Center (ITC) used by the School District. NEOnet is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs NEOnet. NEOnet's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the board. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. Payments to NEOnet are made from the general fund. In fiscal year 2017, the School District paid \$103,878 to NEOnet. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center, who serves as the fiscal agent, at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

***Ohio Schools Council***

The Ohio Schools Council (Council) is a jointly governed organization among 231 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Council's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2017, the School District paid \$232,844 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director at the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Constellation New Energy (formerly Compass Energy) has been selected as the supplier and program manager for the period from July 1, 2017 through June 30, 2018. There are currently 157 participants in the program including the Maple Heights City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

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

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**Note 19 – Employee Benefits**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 330 days for all certified and 207 days for classified personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 110 days for certified personnel and 68.31 days for classified personnel.

**Note 20 – Interfund Transactions**

*Interfund Transfers*

During fiscal year 2017, the School District made the following transfers:

	Transfer From		
Transfer to	General	Other Governmental Funds	Total
Building	\$0	\$472,468	\$472,468
Other Governmental Funds	72,890	0	72,890
Total	\$72,890	\$472,468	\$545,358

The transfers from the general fund were made to support the activities of the athletics and music special revenue fund. Transfers from the classroom facilities capital project fund to the building capital project fund were made to support capital outlays in the fund.

*Interfund Balances*

At June 30, 2017, the School District had the following interfund balances:

	Interfund Balances June 30, 2017	
	Receivables	Payables
<b>Governmental Activities:</b>		
General	\$101,507	\$0
Other Governmental Funds	0	101,507
Total Governmental Activities	\$101,507	\$101,507

The advances to the other governmental funds were to support the activities of those funds. As of June 30, 2017, all interfund balances are anticipated to be repaid in one year.



**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**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, 2016	\$0
Current Year Set-Aside Requirement	606,025
Offsets During the Fiscal Year	(395,314)
Qualifying Disbursements	(533,895)
Total	(\$323,184)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Balance as of June 30, 2017	\$0

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

**Note 22 – Significant Commitments**

*Contractual Commitments*

At June 30, 2017, the School District had outstanding contractual commitments with various vendors in the amount of \$200,457 for the construction of a new bus garage. 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	\$6,338
Building	242,171
Other Governmental Funds	83,627
Total	\$332,136

**Maple Heights City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2017*

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**Note 23 – Subsequent Event**

During fiscal year 2017, the School District entered into a capital lease agreement with Huntington Bank for LED lighting for the stadium in the amount of \$247,040, based on best-known information at the time. In October of 2017, the District made its first lease payment; however, it later became known that the amount needed to be financed totaled \$210,261. The lease agreement and amortization schedule will be adjusted for this difference.

**Required Supplementary  
Information**

**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 Four Fiscal Years (1) \**

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.16074990%	0.16046860%	0.17436300%	0.17436300%
School District's Proportionate Share of the Net Pension Liability	\$11,765,409	\$9,156,493	\$8,824,412	\$10,368,808
School District's Covered Payroll	\$4,983,307	\$4,800,893	\$4,920,038	\$5,086,947
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	236.10%	190.72%	179.36%	203.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

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

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

**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 Four Fiscal Years (1) \**

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.14849020%	0.14694241%	0.16124236%	0.16124236%
School District's Proportionate Share of the Net Pension Liability	\$49,704,146	\$40,610,585	\$39,219,723	\$46,718,277
School District's Covered Payroll	\$15,655,786	\$14,902,064	\$16,408,879	\$17,496,292
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	317.48%	272.52%	239.02%	267.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$778,365	\$697,663	\$632,758	\$681,917
Contributions in Relation to the Contractually Required Contribution	<u>(778,365)</u>	<u>(697,663)</u>	<u>(632,758)</u>	<u>(681,917)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$5,559,750	\$4,983,307	\$4,800,893	\$4,920,038
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$704,033	\$690,691	\$699,227	\$862,541	\$647,910	\$635,807
(704,033)	(690,691)	(699,227)	(862,541)	(647,910)	(635,807)
\$0	\$0	\$0	\$0	\$0	\$0
\$5,086,947	\$5,135,252	\$5,562,667	\$6,370,321	\$6,584,455	\$6,474,618
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$2,382,040	\$2,191,810	\$2,086,289	\$2,133,154
Contributions in Relation to the Contractually Required Contribution	<u>(2,382,040)</u>	<u>(2,191,810)</u>	<u>(2,086,289)</u>	<u>(2,133,154)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$17,014,571	\$15,655,786	\$14,902,064	\$16,408,879
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%



2013	2012	2011	2010	2009	2008
\$2,274,518	\$2,327,728	\$2,345,770	\$2,318,922	\$2,227,780	\$2,149,938
(2,274,518)	(2,327,728)	(2,345,770)	(2,318,922)	(2,227,780)	(2,149,938)
\$0	\$0	\$0	\$0	\$0	\$0
\$17,496,292	\$17,905,600	\$18,044,385	\$17,837,862	\$17,136,769	\$16,537,985
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**Maple Heights City School District, Ohio**

*Notes to Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2017*

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**Changes in Assumptions – SERS**

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

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

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

**MAPLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Nutrition Cluster:				
School Breakfast Program	10.553	N/A	\$ 499,501	\$ -
School Lunch Program	10.555	N/A	<u>1,466,803</u>	<u>109,109</u>
Total Nutrition Cluster			<u>1,966,304</u>	<u>109,109</u>
Federal Fruits and Vegetables	10.582	N/A	<u>56,733</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>2,023,037</u></b>	<b><u>109,109</u></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)	84.010	N/A	1,912,978	-
Special Education Cluster (IDEA):				
Special Education--Grants to States (IDEA, Part B)	84.027	N/A	802,404	-
Special Education--Preschool Grants (IDEA Preschool)	84.173	N/A	30,555	-
Total Special Education Cluster (IDEA)			<u>832,959</u>	<u>-</u>
Career and Technical Education – Basic Grants to States (Perkins IV)	84.048	N/A	79,477	-
Twenty-First Century Community Learning Centers	84.287	N/A	223,566	-
Title III, English Language Acquisition Grant	84.365	N/A	700	-
Improving Teacher Quality - Title II-A	84.367	N/A	71,753	-
<b>Total U.S. Department of Education</b>			<b><u>3,121,433</u></b>	<b><u>-</u></b>
<b>Total Federal Financial Assistance</b>			<b><u>\$ 5,144,470</u></b>	<b><u>\$ 109,109</u></b>

**MAPLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Maple Heights City School District (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 26, 2018.

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

September 26, 2018



# Dave Yost • Auditor of State

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

Maple Heights City School District  
Cuyahoga County  
5740 Lawn Avenue  
Maple Heights, Ohio 44117

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Maple Heights City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Maple Heights City School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

***Opinion on each Major Federal Program***

In our opinion, the Maple Heights City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

***Report on Internal Control Over Compliance***

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

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

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

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

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

September 26, 2018



**MAPLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

**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 weaknesses in internal control 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 weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs:	CFDA #10.553 & 10.555 – Child Nutrition Cluster  CFDA #84.287 – Twenty-First Century Community Learning Centers
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

# Maple Heights City Schools

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5740 Lawn Avenue • Maple Heights, Ohio 44137  
Phone (216) 587-6100 Ext. 3100

Robert J. Applebaum  
Treasurer

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**2 CFR 200.511(b)**  
**JUNE 30, 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>
2016-001	Financial Reporting	Fully Corrected
2016-002	Accounting for Budgeted Revenues	Fully Corrected