

**MAPLETON LOCAL
SCHOOL DISTRICT**
ASHLAND COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
(AUDITED)

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2005*

MARY WORKMAN, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Mapleton Local School District
2 Mountie Drive
Ashland, Ohio 44805

We have reviewed the *Independent Auditor's Report* of the Mapleton Local School District, Ashland County, prepared by Julian and Grube, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 6, 2006

This Page is Intentionally Left Blank.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

TABLE OF CONTENTS

| | |
|---|---------|
| Independent Auditor’s Report | 1 - 2 |
| Management’s Discussion and Analysis | 3 - 12 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets | 13 |
| Statement of Activities | 14 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 15 |
| Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities | 16 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds..... | 17 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 18 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund | 19 |
| Statement of Net Assets - Proprietary Fund | 20 |
| Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund | 21 |
| Statement of Cash Flows - Proprietary Fund..... | 22 |
| Statement of Fiduciary Net Assets - Fiduciary Fund..... | 23 |
| Statement of Changes in Fiduciary Net Assets - Fiduciary Fund..... | 24 |
| Notes to the Basic Financial Statements..... | 25 - 51 |
| Supplemental Data: | |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 52 - 53 |
| Status of Prior Audit Findings | 54 |



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
Mapleton Local School District
2 Mountie Drive
Ashland, Ohio 44805

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mapleton Local School District, Ashland County, (the "District"), as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mapleton Local School District, Ashland County, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2006, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
January 27, 2006

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The management's discussion and analysis of Mapleton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities increased \$13,576 which represents a .07% increase from 2004.
- General revenues accounted for \$8,087,784 in revenue or 89.02% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$997,864 or 10.98% of total revenues of \$9,085,648.
- The District had \$9,072,072 in expenses related to governmental activities; only \$997,864 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,087,784 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund, classroom construction fund and permanent improvement fund. The general fund had \$7,296,509 in revenues and other financing sources and \$7,437,985 in expenditures. During fiscal year 2005, the general fund's fund balance decreased \$141,476 from \$1,733 to a deficit of \$139,743.
- The debt service fund had \$355,258 in revenues and \$313,916 in expenditures. During fiscal year 2005, the debt service fund's fund balance increased \$41,342 from \$295,976 to \$337,318.
- The classroom construction fund had \$260,836 in revenues and \$1,918,754 in expenditures. During fiscal year 2005, the classroom construction fund's fund balance decreased \$1,657,918 from \$1,638,504 to a deficit of \$19,414.
- The permanent improvement fund had \$242,038 in revenues and \$190,073 in expenditures. During fiscal year 2005, the permanent improvement fund's fund balance increased \$51,965 from \$717,101 to \$769,066.

Using these 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 District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the 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 as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, debt service fund, classroom construction fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund, classroom construction fund and permanent improvement fund.

Governmental Funds

Most of the 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* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical and dental benefits self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-51 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. The table below shows the net assets for governmental activities for fiscal years 2005 and 2004.

| | Net Assets | |
|--|----------------------------|----------------------------|
| | Governmental Activities | Governmental Activities |
| | <u>2005</u> | <u>2004</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 4,676,907 | \$ 8,995,801 |
| Capital assets | <u>21,448,077</u> | <u>19,963,377</u> |
| Total assets | <u>26,124,984</u> | <u>28,959,178</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 3,246,660 | 5,959,510 |
| Long-term liabilities | <u>4,171,450</u> | <u>4,306,370</u> |
| Total liabilities | <u>7,418,110</u> | <u>10,265,880</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets, net of related debt | 17,673,077 | 17,924,907 |
| Restricted | 1,182,015 | 2,714,188 |
| Unrestricted (deficit) | <u>(148,218)</u> | <u>(1,945,797)</u> |
| Total net assets | <u>\$ 18,706,874</u> | <u>\$ 18,693,298</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$18,706,874. Of this total, \$1,182,015 is restricted in use.

Capital assets reported on the government-wide statements represent the largest portion of the District's net assets.

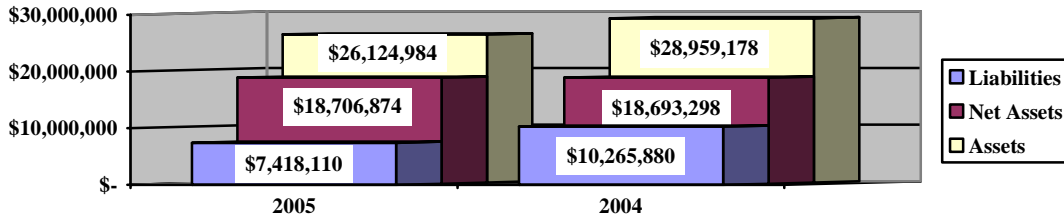
**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

At year-end, capital assets represented 82.10% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$17,673,077. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,182,015, represents resources that are subject to external restriction on how they may be used. The table below illustrates the District's assets, liabilities and net assets at June 30, 2005 and 2004.

Governmental Activities



The table below shows the change in net assets for fiscal year 2005 and 2004.

Change in Net Assets

| | Governmental Activities 2005 | Governmental Activities 2004 |
|------------------------------------|------------------------------------|------------------------------------|
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 359,295 | \$ 316,606 |
| Operating grants and contributions | 638,569 | 492,648 |
| Capital grants and contributions | - | 44,389 |
| General revenues: | | |
| Property taxes | 2,683,416 | 2,674,671 |
| Grants and entitlements | 5,077,238 | 4,688,360 |
| Grants restricted for Ohio Schools | | |
| Facilities construction | 245,500 | 1,925,500 |
| Investment earnings | 44,061 | 53,927 |
| Other | 37,569 | 67,649 |
| Total revenues | <u>\$ 9,085,648</u> | <u>\$ 10,263,750</u> |

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Change in Net Assets

| | Governmental Activities <u>2005</u> | Governmental Activities <u>2004</u> |
|--|---|---|
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 4,470,000 | \$ 4,016,947 |
| Special | 594,179 | 665,063 |
| Vocational | 153,483 | 156,719 |
| Other | 148,566 | 118,597 |
| Support services: | | |
| Pupil | 167,698 | 166,497 |
| Instructional staff | 287,652 | 244,065 |
| Board of education | 70,972 | 83,763 |
| Administration | 533,273 | 564,561 |
| Fiscal | 257,308 | 217,509 |
| Business | 9,914 | - |
| Operations and maintenance | 1,060,543 | 759,309 |
| Pupil transportation | 464,350 | 466,426 |
| Central | 29,009 | 52,813 |
| Operations of non-instructional services | 38,253 | - |
| Food service operations | 308,325 | 338,052 |
| Extracurricular activities | 283,081 | 258,811 |
| Interest and fiscal charges | <u>195,466</u> | <u>195,322</u> |
| Total expenses | <u>9,072,072</u> | <u>8,304,454</u> |
| Change in net assets | 13,576 | 1,959,296 |
| Net assets at beginning of year | <u>18,693,298</u> | <u>16,734,002</u> |
| Net assets at end of year | <u>\$ 18,706,874</u> | <u>\$ 18,693,298</u> |

Governmental Activities

Net assets of the District's governmental activities increased \$13,576. Total governmental expenses of \$9,072,072 were offset by program revenues of \$997,864 and general revenues of \$8,087,784. Program revenues supported 11.00% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 85.42% of total governmental revenue.

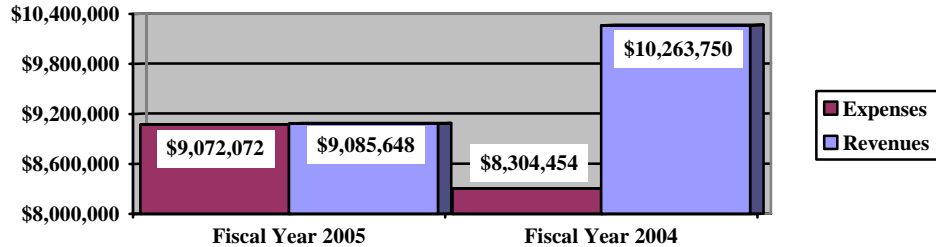
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,366,228 or 59.15% of total governmental expenses for fiscal 2005.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

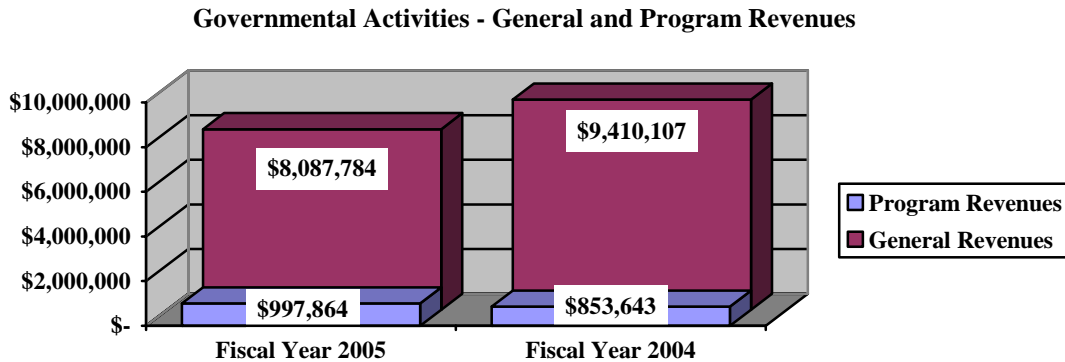
| | Total Cost of Services 2005 | Net Cost of Services 2005 | Total Cost of Services 2004 | Net Cost of Services 2004 |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 4,470,000 | \$ 4,319,917 | \$ 4,016,947 | \$ 3,845,786 |
| Special | 594,179 | 211,448 | 665,063 | 397,213 |
| Vocational | 153,483 | 150,783 | 156,719 | 156,719 |
| Other | 148,566 | 148,566 | 118,597 | 118,597 |
| Support services: | | | | |
| Pupil | 167,698 | 167,698 | 166,497 | 148,209 |
| Instructional staff | 287,652 | 272,867 | 244,065 | 241,958 |
| Board of education | 70,972 | 70,972 | 83,763 | 83,763 |
| Administration | 533,273 | 528,273 | 564,561 | 564,561 |
| Fiscal | 257,308 | 257,308 | 217,509 | 209,176 |
| Business | 9,914 | 9,914 | - | - |
| Operations and maintenance | 1,060,543 | 1,055,666 | 759,309 | 754,740 |
| Pupil transportation | 464,350 | 451,075 | 466,426 | 456,151 |
| Central | 29,009 | 29,009 | 52,813 | 50,652 |
| Operations of non-instructional services | 38,253 | 38,253 | - | - |
| Food service operations | 308,325 | (37,795) | 338,052 | 38,396 |
| Extracurricular activities | 283,081 | 204,788 | 258,811 | 189,741 |
| Interest and fiscal charges | 195,466 | 195,466 | 195,322 | 195,149 |
| Total expenses | <u>\$ 9,072,072</u> | <u>\$ 8,074,208</u> | <u>\$ 8,304,454</u> | <u>\$ 7,450,811</u> |

The dependence upon tax and other general revenues for governmental activities is apparent, as 90.02% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 89.00%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal year 2005 and 2004.



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,026,508, which is lower than last year's restated total of \$2,865,810. The June 30, 2004 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

| | Fund Balance June 30, 2005 | Restated Fund Balance June 30, 2004 | Increase (Decrease) | Percentage Change |
|------------------------|-------------------------------|---|------------------------|----------------------|
| General | \$ (139,743) | \$ 1,733 | \$ (141,476) | (8,163.65) % |
| Debt Service | 337,318 | 295,976 | 41,342 | 13.97 % |
| Classroom Construction | (19,414) | 1,638,504 | (1,657,918) | (101.18) % |
| Permanent Improvement | 769,066 | 717,101 | 51,965 | 7.25 % |
| Other Governmental | <u>79,281</u> | <u>212,496</u> | <u>(133,215)</u> | (62.69) % |
| Total | <u>\$ 1,026,508</u> | <u>\$ 2,865,810</u> | <u>\$ (1,839,302)</u> | (64.18) % |

General Fund

The District's general fund balance decreased \$141,476 (after a restatement to the June 30, 2004, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to several items related to expenditures increasing faster than revenues during 2005. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

| | 2005 <u>Amount</u> | Restated 2004 <u>Amount</u> | Increase (Decrease) | Percentage Change |
|---|-----------------------|-----------------------------------|------------------------|----------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 2,179,071 | \$ 2,060,444 | \$ 118,627 | 5.76 % |
| Earnings on investments | 25,465 | 18,957 | 6,508 | 34.33 % |
| Intergovernmental | 5,015,620 | 4,641,820 | 373,800 | 8.05 % |
| Other revenues | <u>75,353</u> | <u>73,767</u> | <u>1,586</u> | 2.15 % |
| Total | <u>\$ 7,295,509</u> | <u>\$ 6,794,988</u> | <u>\$ 500,521</u> | 7.37 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 4,676,378 | \$ 4,446,016 | \$ 230,362 | 5.18 % |
| Support services | 2,611,779 | 2,631,990 | (20,211) | (0.77) % |
| Extracurricular activities | 145,557 | 149,947 | (4,390) | (2.93) % |
| Facilities acquisition and construction | - | 10,641 | (10,641) | (100.00) % |
| Debt service | <u>4,271</u> | <u>-</u> | <u>4,271</u> | 100.00 % |
| Total | <u>\$ 7,437,985</u> | <u>\$ 7,238,594</u> | <u>\$ 199,391</u> | 2.75 % |

Debt Service Fund

The debt service fund had \$355,258 in revenues and \$313,916 in expenditures. During fiscal year 2005, the debt service fund's fund balance increased \$41,342 from \$295,976 to \$337,318.

Classroom Construction Fund

The classroom construction fund had \$260,836 in revenues and \$1,918,754 in expenditures. During fiscal year 2005, the classroom construction fund's fund balance decreased \$1,657,918 from \$1,638,504 to a deficit of \$19,414. The decrease in fund balance in the classroom construction fund was due to the completion of the construction project on the new elementary building.

Permanent Improvement Fund

The permanent improvement fund had \$242,038 in revenues and \$190,073 in expenditures. During fiscal year 2005, the permanent improvement fund's fund balance increased \$51,965 from \$717,101 to \$769,066.

General Fund Budgeting Highlights

The 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 the course of fiscal 2005, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$6,857,047 and final budgeted revenues and other financing sources were \$7,528,436. Actual revenues and other financing sources for fiscal 2005 was \$7,528,436. This represents a \$671,389 increase over original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$7,123,031 were increased to \$7,871,993 in the final appropriations. The actual budget basis expenditures for fiscal year 2005 totaled \$7,871,993. This represented a \$748,962 increase over original budgeted appropriations.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$21,448,077 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

**Capital Assets at June 30
(Net of Depreciation)**

| | Governmental Activities | |
|---------------------------|-------------------------|----------------------|
| | 2005 | 2004 |
| Land | \$ 293,200 | \$ 312,800 |
| Land improvements | 2,044,737 | 1,373,616 |
| Building and improvements | 17,942,140 | 15,098,269 |
| Furniture and equipment | 796,989 | 468,398 |
| Vehicles | 371,011 | 387,737 |
| Construction in progress | - | 2,322,557 |
| Total | <u>\$ 21,448,077</u> | <u>\$ 19,963,377</u> |

The overall increase in capital assets of \$1,484,700 is due to capital outlays of \$4,688,227 less disposals of \$22,850 exceeding depreciation expense of \$858,120 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2005, the District had \$3,775,000 in classroom facilities bonds outstanding. Of this total, \$130,000 is due within one year and \$3,645,000 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

| | Governmental Activities | Governmental Activities |
|----------------------------|----------------------------|----------------------------|
| | 2005 | 2004 |
| Classroom facilities bonds | \$ 3,775,000 | \$ 3,895,000 |
| Total | <u>\$ 3,775,000</u> | <u>\$ 3,895,000</u> |

At June 30, 2005, the District's overall legal debt margin was \$5,861,583, and an unvoted debt margin of \$103,325.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Current Financial Related Activities

As mentioned in the preceding information, the District is completing the final phases of a major construction project undertaken through the Ohio School Facilities Commission (OSFC). Approximately \$22 million in new schools and renovations have been completed, with minor activities remaining. The plan called for the construction of a new elementary building and high school addition, as well as the renovation of the old high school building for use as the new middle school. Mapleton High School and Mapleton Elementary School opened to students on March 3, 2004, and Mapleton Middle School opened to students on October 5, 2004. At the time of this report, Polk Elementary, Nankin Elementary, and Ruggles-Troy Middle School have been demolished according to plan.

From an operating perspective, the District is struggling to meet its current financial obligations. Furthermore, the Board's five-year forecast indicates cash-flow problems will persist throughout the forecast period. Temporary cash shortfalls were experienced in fiscal 2005, resulting in the District's borrowing \$250,000 to meet current financial obligations, such as payroll and health insurance premiums. The District used the proceeds from the March 2005 semi-annual real estate tax settlement to repay this debt. In addition, the District issued a current tax revenue note in December of 2005, in the aggregate principal amount of \$350,000. The District anticipates using the proceeds from the March or April 2006 semi-annual real estate tax settlement to repay this debt.

The District's Fiscal Improvement Committee compiled a list of budget modifications to be placed into effect for the 2006 fiscal year. These modifications included pay-to-participate fees, state minimum busing, reduced ESC contracts, and other items. These items were implemented for fiscal year 2006.

In addition, the District has made several steps during fiscal year 2006 to help reduce a deficit balance as a result of the District receiving less money than what had been anticipated for fiscal year 2006. These steps include the following:

- Reducing supply budgets
- Bus repairs moved to the permanent improvement fund (This will continue so long as the permanent improvement levy is renewed in 2006)
- Portion of educational service center contracts to be paid out of grants
- Reducing/eliminating 4 classified positions (2 positions are assumed to be brought back in fiscal year 2007)
- Health insurance moratorium for 1 month
- Increasing pay-to-participate fees for winter and spring sports to cover the costs of coaches salaries and benefits

The Board of Education has been discussing several levy options for the May 2006 ballot. The District has a current operating expense levy that expires in tax year 2005. The Board may let this levy expire due to the District being at the 20 mill floor, the lowest millage amount a District can legally collect. The options the District has will be determined by the deadline in February 2006 to place issues on the May 2006 ballot.

The current financial position of the State of Ohio does not seem to support increased spending in the area of primary and secondary education. As the State looks to balance its budget, decreases in educational funding could follow. This could substantially affect the District's ability to operate as a quality educational institution.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Mary Workman, Treasurer, Mapleton Local School District, 2 Mountie Drive, Ashland, Ohio 44805.

**BASIC
FINANCIAL STATEMENTS**

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2005

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents. | \$ 1,423,561 |
| Cash with fiscal agent. | 395,624 |
| Cash with escrow agents | 59,576 |
| Cash in segregated accounts. | 1,337 |
| Receivables: | |
| Taxes | 2,718,322 |
| Intergovernmental | 30,007 |
| Prepayments | 4,002 |
| Materials and supplies inventory | 44,478 |
| Capital assets: | |
| Land | 293,200 |
| Depreciable capital assets, net | 21,154,877 |
| Capital assets, net. | 21,448,077 |
| Total assets. | 26,124,984 |
| Liabilities: | |
| Accounts payable. | 102,130 |
| Contracts payable. | 119,572 |
| Retainage payable | 52,613 |
| Accrued wages and benefits | 673,334 |
| Pension obligation payable. | 167,571 |
| Intergovernmental payable | 34,695 |
| Deferred revenue | 1,962,196 |
| Accrued interest payable | 74,197 |
| Claims payable | 60,352 |
| Long-term liabilities: | |
| Due within one year. | 171,991 |
| Due in more than one year | 3,999,459 |
| Total liabilities | 7,418,110 |
| Net Assets: | |
| Invested in capital assets, net of related debt. | 17,673,077 |
| Restricted for: | |
| Capital projects | 778,518 |
| Debt service. | 276,895 |
| Classroom facilities maintenance | 42,293 |
| Locally funded programs | 3,243 |
| State funded programs | 19,132 |
| Federally funded programs | 355 |
| Student activities | 29,140 |
| Other purposes | 32,439 |
| Unrestricted | (148,218) |
| Total net assets | \$ 18,706,874 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

| | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets |
|--|---------------------|--------------------------------------|--|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 4,470,000 | \$ 63,678 | \$ 86,405 | \$ (4,319,917) |
| Special | 594,179 | - | 382,731 | (211,448) |
| Vocational | 153,483 | - | 2,700 | (150,783) |
| Other | 148,566 | - | - | (148,566) |
| Support services: | | | | |
| Pupil. | 167,698 | - | - | (167,698) |
| Instructional staff | 287,652 | - | 14,785 | (272,867) |
| Board of education | 70,972 | - | - | (70,972) |
| Administration. | 533,273 | - | 5,000 | (528,273) |
| Fiscal. | 257,308 | - | - | (257,308) |
| Business. | 9,914 | - | - | (9,914) |
| Operations and maintenance | 1,060,543 | - | 4,877 | (1,055,666) |
| Pupil transportation. | 464,350 | 11,675 | 1,600 | (451,075) |
| Central | 29,009 | - | - | (29,009) |
| Operation of non-instructional services. | 38,253 | - | - | (38,253) |
| Food service operations | 308,325 | 205,649 | 140,471 | 37,795 |
| Extracurricular activities. | 283,081 | 78,293 | - | (204,788) |
| Interest and fiscal charges | 195,466 | - | - | (195,466) |
| Total governmental activities | <u>\$ 9,072,072</u> | <u>\$ 359,295</u> | <u>\$ 638,569</u> | <u>(8,074,208)</u> |

General Revenues:

| | |
|---|----------------------|
| Property taxes levied for: | |
| General purposes | 2,120,292 |
| Special revenue | 49,125 |
| Debt service. | 308,861 |
| Capital projects | 205,138 |
| Grants and entitlements not restricted to specific programs. | 5,077,238 |
| Grants restricted for Ohio Schools | |
| Facilities construction. | 245,500 |
| Investment earnings | 44,061 |
| Miscellaneous | 37,569 |
| Total general revenues. | <u>8,087,784</u> |
| Change in net assets | 13,576 |
| Net assets at beginning of year. | <u>18,693,298</u> |
| Net assets at end of year | <u>\$ 18,706,874</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

| | General | Debt Service | Classroom Construction | Permanent Improvement | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|---------------------------|--------------------------|--------------------------------|--------------------------------|
| Assets: | | | | | | |
| Equity in pooled cash and cash equivalents | \$ 143,879 | \$ 262,068 | \$ 100,158 | \$ 729,831 | \$ 155,186 | \$ 1,391,122 |
| Cash in segregated accounts | - | - | - | - | 1,337 | 1,337 |
| Cash with escrow agent | 6,963 | - | 52,613 | - | - | 59,576 |
| Receivables: | | | | | | |
| Taxes | 2,138,042 | 319,974 | - | 218,402 | 41,904 | 2,718,322 |
| Intergovernmental | - | - | - | - | 30,007 | 30,007 |
| Interfund receivable | 4,800 | - | - | - | - | 4,800 |
| Due from other funds | 430 | - | - | - | - | 430 |
| Prepayments | 60 | - | - | - | 3,942 | 4,002 |
| Materials and supplies inventory | 37,928 | - | - | - | 6,550 | 44,478 |
| Restricted assets: | | | | | | |
| Equity in pooled cash and cash equivalents | 32,439 | - | - | - | - | 32,439 |
| Total assets | \$ 2,364,541 | \$ 582,042 | \$ 152,771 | \$ 948,233 | \$ 238,926 | \$ 4,286,513 |
| Liabilities: | | | | | | |
| Accounts payable | \$ 42,395 | \$ - | \$ - | \$ 12,108 | \$ 47,627 | \$ 102,130 |
| Contracts payable | - | - | 119,572 | - | - | 119,572 |
| Retainage payable | - | - | 52,613 | - | - | 52,613 |
| Accrued wages and benefits | 631,386 | - | - | - | 41,948 | 673,334 |
| Compensated absences payable | 13,204 | - | - | - | - | 13,204 |
| Interfund payable | - | - | - | - | 4,800 | 4,800 |
| Due to other funds | - | - | - | - | 430 | 430 |
| Pension obligation payable | 150,242 | - | - | - | 17,329 | 167,571 |
| Intergovernmental payable | 31,672 | - | - | - | 3,023 | 34,695 |
| Deferred revenue | 1,635,385 | 244,724 | - | 167,059 | 44,488 | 2,091,656 |
| Total liabilities | 2,504,284 | 244,724 | 172,185 | 179,167 | 159,645 | 3,260,005 |
| Fund Balances: | | | | | | |
| Reserved for encumbrances | 16,993 | - | 125,583 | 652,330 | 22,657 | 817,563 |
| Reserved for materials and supplies inventory | 37,928 | - | - | - | 6,550 | 44,478 |
| Reserved for prepayments | 60 | - | - | - | 3,942 | 4,002 |
| Reserved for property tax unavailable for appropriation | 502,657 | 75,250 | - | 51,343 | 9,854 | 639,104 |
| Reserved for debt service | - | 262,068 | - | - | - | 262,068 |
| Reserved for BWC refunds | 32,439 | - | - | - | - | 32,439 |
| Unreserved, undesignated (deficit), reported in: | | | | | | |
| General fund | (729,820) | - | - | - | - | (729,820) |
| Special revenue funds | - | - | - | - | 36,228 | 36,228 |
| Capital projects funds | - | - | (144,997) | 65,393 | 50 | (79,554) |
| Total fund balances (deficit) | (139,743) | 337,318 | (19,414) | 769,066 | 79,281 | 1,026,508 |
| Total liabilities and fund balances | \$ 2,364,541 | \$ 582,042 | \$ 152,771 | \$ 948,233 | \$ 238,926 | \$ 4,286,513 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

| | | |
|--|-------------|---------------|
| Total governmental fund balances | | \$ 1,026,508 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 21,448,077 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Taxes | \$ 117,022 | |
| Intergovernmental revenue | 12,438 | |
| Total | 129,460 | |
| 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 governmental activities in the statement of net assets. | | 335,272 |
| In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due. | | (74,197) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences | (383,246) | |
| General obligation bonds payable | (3,775,000) | |
| Total | (4,158,246) | |
| Net assets of governmental activities | | \$ 18,706,874 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

| | <u>General</u> | <u>Debt Service</u> | <u>Classroom Construction</u> | <u>Permanent Improvement</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------|-----------------------------------|----------------------------------|---|---|
| Revenues: | | | | | | |
| From local sources: | | | | | | |
| Taxes | \$ 2,179,071 | \$ 317,284 | \$ - | \$ 218,394 | \$ 42,512 | \$ 2,757,261 |
| Charges for services. | - | - | - | - | 205,649 | 205,649 |
| Earnings on investments. | 25,465 | - | 15,336 | - | 3,260 | 44,061 |
| Extracurricular. | - | - | - | - | 78,293 | 78,293 |
| Transportation fees | 11,675 | - | - | - | - | 11,675 |
| Classroom materials and fees. | 31,642 | - | - | - | - | 31,642 |
| Other local revenues. | 32,036 | - | - | - | 37,569 | 69,605 |
| Intergovernmental - intermediate. | - | - | - | - | 44,096 | 44,096 |
| Intergovernmental - state. | 5,015,620 | 37,974 | 245,500 | 23,644 | 64,194 | 5,386,932 |
| Intergovernmental - federal | - | - | - | - | 519,941 | 519,941 |
| Total revenues | <u>7,295,509</u> | <u>355,258</u> | <u>260,836</u> | <u>242,038</u> | <u>995,514</u> | <u>9,149,155</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 4,081,327 | - | - | 59,472 | 143,955 | 4,284,754 |
| Special. | 295,921 | - | - | - | 341,280 | 637,201 |
| Vocational. | 150,564 | - | - | - | 6,511 | 157,075 |
| Other. | 148,566 | - | - | - | - | 148,566 |
| Support services: | | | | | | |
| Pupil. | 162,762 | - | - | 3,425 | - | 166,187 |
| Instructional staff | 290,612 | - | - | - | 10,246 | 300,858 |
| Board of education | 70,972 | - | - | - | - | 70,972 |
| Administration. | 550,722 | - | - | - | 6,577 | 557,299 |
| Fiscal | 249,944 | - | - | 4,833 | - | 254,777 |
| Operations and maintenance. | 825,906 | - | 455,491 | 13,782 | 149,251 | 1,444,430 |
| Pupil transportation | 433,015 | - | - | 59,100 | 1,600 | 493,715 |
| Central. | 27,846 | - | 1,163 | - | - | 29,009 |
| Operation of non-instructional services: | - | - | - | - | 38,253 | 38,253 |
| Food service operations | - | - | - | - | 313,980 | 313,980 |
| Extracurricular activities. | 145,557 | - | - | - | 117,076 | 262,633 |
| Facilities acquisition and construction | - | - | 1,462,100 | 49,461 | - | 1,511,561 |
| Debt service: | | | | | | |
| Principal retirement | - | 120,000 | - | - | - | 120,000 |
| Interest and fiscal charges | 4,271 | 193,916 | - | - | - | 198,187 |
| Total expenditures | <u>7,437,985</u> | <u>313,916</u> | <u>1,918,754</u> | <u>190,073</u> | <u>1,128,729</u> | <u>10,989,457</u> |
| Excess of revenues over (under) expenditures | <u>(142,476)</u> | <u>41,342</u> | <u>(1,657,918)</u> | <u>51,965</u> | <u>(133,215)</u> | <u>(1,840,302)</u> |
| Other financing sources: | | | | | | |
| Sale of capital assets. | 1,000 | - | - | - | - | 1,000 |
| Total other financing sources | <u>1,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,000</u> |
| Net change in fund balances | (141,476) | 41,342 | (1,657,918) | 51,965 | (133,215) | (1,839,302) |
| Fund balances | | | | | | |
| at beginning of year (restated). | 1,733 | 295,976 | 1,638,504 | 717,101 | 212,496 | 2,865,810 |
| Fund balances (deficit) at end of year | <u>\$ (139,743)</u> | <u>\$ 337,318</u> | <u>\$ (19,414)</u> | <u>\$ 769,066</u> | <u>\$ 79,281</u> | <u>\$ 1,026,508</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

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, 2005

Net change in fund balances - total governmental funds \$ (1,839,302)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.

| | | | |
|---------------------------|----|------------------|---------------|
| Capital asset additions | \$ | 2,365,670 | |
| Current year depreciation | | <u>(858,120)</u> | |
| Total | | | 1,507,550 |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (22,850)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | | | |
|-------------------|--|---------------|----------|
| Taxes | | (73,845) | |
| Intergovernmental | | <u>10,338</u> | |
| Total | | | (63,507) |

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 120,000

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,721

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. 14,376

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 294,588

Change in net assets of governmental activities \$ 13,576

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 1,965,984 | \$ 2,158,478 | \$ 2,158,478 | \$ - |
| Earnings on investments. | 23,404 | 25,696 | 25,696 | - |
| Transportation | 10,634 | 11,675 | 11,675 | - |
| Classroom materials and fees | 28,820 | 31,642 | 31,642 | - |
| Other local revenues | 29,197 | 32,056 | 32,056 | - |
| Intergovernmental - state | 4,568,198 | 5,015,620 | 5,015,620 | - |
| Total revenues | <u>6,626,237</u> | <u>7,275,167</u> | <u>7,275,167</u> | <u>-</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,691,217 | 4,079,335 | 4,079,335 | - |
| Special. | 337,426 | 372,905 | 372,905 | - |
| Vocational. | 155,287 | 171,615 | 171,615 | - |
| Other. | 134,431 | 148,566 | 148,566 | - |
| Support services: | | | | |
| Pupil. | 148,579 | 164,202 | 164,202 | - |
| Instructional staff | 261,046 | 288,494 | 288,494 | - |
| Board of education | 67,998 | 75,148 | 75,148 | - |
| Administration. | 513,007 | 566,948 | 566,948 | - |
| Fiscal | 225,977 | 249,738 | 249,738 | - |
| Operations and maintenance. | 771,851 | 853,008 | 853,008 | - |
| Pupil transportation | 402,086 | 444,364 | 444,364 | - |
| Central. | 47,531 | 52,529 | 52,529 | - |
| Extracurricular activities. | 132,173 | 146,070 | 146,070 | - |
| Debt service: | | | | |
| Principal retirement | 226,214 | 250,000 | 250,000 | - |
| Interest and fiscal charges | 3,865 | 4,271 | 4,271 | - |
| Total expenditures | <u>7,118,688</u> | <u>7,867,193</u> | <u>7,867,193</u> | <u>-</u> |
| Excess of revenues under expenditures. | <u>(492,451)</u> | <u>(592,026)</u> | <u>(592,026)</u> | <u>-</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year expenditure | 2,194 | 2,269 | 2,269 | - |
| Sale of assets. | 911 | 1,000 | 1,000 | - |
| Sale of notes. | 227,705 | 250,000 | 250,000 | - |
| Advances (out) | (4,343) | (4,800) | (4,800) | - |
| Total other financing sources (uses) | <u>226,467</u> | <u>248,469</u> | <u>248,469</u> | <u>-</u> |
| Net change in fund balance | (265,984) | (343,557) | (343,557) | - |
| Fund balance at beginning of year. | 423,881 | 423,881 | 423,881 | - |
| Prior year encumbrances appropriated | 49,487 | 49,487 | 49,487 | - |
| Fund balance at end of year | <u>\$ 207,384</u> | <u>\$ 129,811</u> | <u>\$ 129,811</u> | <u>\$ -</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

| | Governmental Activities - Internal Service Fund |
|----------------------------------|--|
| Assets: | |
| Current assets: | |
| Cash with fiscal agent | \$ 395,624 |
| Total assets | <u>395,624</u> |
| Liabilities: | |
| Claims payable | <u>60,352</u> |
| Total liabilities | <u>60,352</u> |
| Net assets: | |
| Unrestricted. | <u>335,272</u> |
| Total net assets | <u><u>\$ 335,272</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

| | <u>Governmental Activities - Internal Service Fund</u> |
|--|---|
| Operating revenues: | |
| Sales/charges for services | \$ 1,177,793 |
| Total operating revenues | <u>1,177,793</u> |
| Operating expenses: | |
| Claims expense | 820,973 |
| Purchased services | <u>62,232</u> |
| Total operating expenses | <u>883,205</u> |
| Change in net assets. | <u>294,588</u> |
| Net assets at beginning of year | <u>40,684</u> |
| Net assets at end of year | <u><u>\$ 335,272</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

| | Governmental Activities - Internal Service Fund |
|---|--|
| Cash flows from operating activities: | |
| Cash received from sales/charges for services | \$ 1,177,793 |
| Cash payments for claims expense. | (818,474) |
| Cash payments for purchased services. | <u>(62,232)</u> |
| Net cash provided by operating activities | <u>297,087</u> |
| Net increase in cash and cash equivalents | <u>297,087</u> |
| Cash and cash equivalents at beginning of year . . . | <u>98,537</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 395,624</u></u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 294,588 |
| Changes in assets and liabilities: | |
| Increase in claims payable | <u>2,499</u> |
| Net cash provided by operating activities. | <u><u>\$ 297,087</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

| | Private Purpose Trust | |
|---|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in pooled cash and cash equivalents | \$ 2,000 | \$ 50,772 |
| Total assets. | 2,000 | \$ 50,772 |
| Liabilities: | | |
| Accounts payable. | - | \$ 2,980 |
| Due to students | - | 47,792 |
| Total liabilities | - | \$ 50,772 |
| Net Assets: | | |
| Held in trust for scholarships | 2,000 | |
| Total net assets | \$ 2,000 | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

| | Private-Purpose Trust |
|---|----------------------------------|
| | Scholarship |
| Additions: | |
| Gifts and contributions. | \$ 3,000 |
| Total additions. | 3,000 |
| Deductions: | |
| Scholarships awarded | 1,000 |
| Change in net assets | 2,000 |
| Net assets at beginning of year. | - |
| Net assets at end of year | \$ 2,000 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Mapleton Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District is the 481st largest in the State of Ohio (out of approximately 614 public and community school districts) in terms of enrollment. It is staffed by 46 non-certificated employees and 77 certificated full-time teaching personnel who provide services to 1,053 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units." The 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 District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Midland Council of Governments

The District is a member of the Midland Council of Governments (COG), which was organized as a council-of-governments entity in accordance with Ohio statute. While the District and the other 21 members are assessed annual user fees for data services, none of the members retain an ongoing financial interest in the COG.

Ashland County -West Holmes Career Center (the "Career Center")

The Career Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Career Center accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP was established under Section 4123.29 of the Ohio Revised Code. The GRP's business and affairs are conducted by a three-member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of property tax revenues for, and the payment of, general obligation bonds used for the construction of school facilities.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Classroom Construction - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

Permanent Improvement Fund - The permanent improvement capital projects fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Ohio Revised Code.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical and dental benefits to employees.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. 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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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 District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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 fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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 fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2005 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Ashland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2005.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2005, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District other than with fiscal agent, escrow agents and held in segregated accounts is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

The District has invested funds in STAR Ohio during fiscal 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust fund. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$25,465, which includes \$19,336 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$5,000. 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. The District does not possess infrastructure.

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

| <u>Description</u> | Governmental Activities <u>Estimated Lives</u> |
|----------------------------|--|
| Land improvements | 20 years |
| Buildings and improvements | 20 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 8 years |

I. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16 "Accounting for Compensated Absences". Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The District has accrued a liability for these compensated absences using the termination method when the following criterion is met. The benefits are earned by the employees and it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' retirement ("termination payment").

The sick leave liability has been based on the District's past experience of making termination payments for sick leave.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

J. 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 internal service 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, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

K. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, debt service and BWC refunds. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Net Assets

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

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

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

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a BWC refund reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 17.

Q. Interfund Activity

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 and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2005

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 3 - ACCOUNTABILITY & COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

During the previous year, the Debt Service fund was classified as a nonmajor fund with a fund balance of \$295,976, however, this fund is reported as a major fund for the fiscal year ended June 30, 2005.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

| | <u>General</u> | <u>Debt Service</u> | <u>Classroom Construction</u> | <u>Permanent Improvement</u> | <u>Nonmajor</u> | <u>Total</u> |
|---------------------------------------|-----------------|-------------------------|-----------------------------------|----------------------------------|-------------------|---------------------|
| Fund Balances, June 30, 2004 | \$ 42,431 | \$ 295,976 | \$ 1,638,504 | \$ 717,101 | \$ 222,316 | \$ 2,916,328 |
| GASB Technical Bulletin No. 2004-2 | <u>(40,698)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(9,820)</u> | <u>(50,518)</u> |
| Restated Fund Balances, June 30, 2004 | <u>\$ 1,733</u> | <u>\$ 295,976</u> | <u>\$ 1,638,504</u> | <u>\$ 717,101</u> | <u>\$ 212,496</u> | <u>\$ 2,865,810</u> |

B. Deficit Fund Balances

Fund balances at June 30, 2005 included the following individual fund deficits:

| | <u>Deficit</u> |
|------------------------|----------------|
| <u>Major Fund</u> | |
| General | \$ 139,743 |
| Classroom Construction | 19,414 |
| <u>Nonmajor Funds</u> | |
| Food Service | 22,073 |
| Title VI-B | 19,166 |
| Title I | 459 |

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 of Education 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 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.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Fiscal Agent

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposits, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2005, was \$395,624.

B. Cash with Escrow Agents

At fiscal year-end, \$6,963 was on deposit in the District's escrow account with Tri-County Educational Service Center and \$52,613 on deposit with the District's escrow agent for retainage relating to construction contracts. These amounts are included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the financial statements as "Equity in Pooled Cash and Cash Equivalents".

C. Cash in Segregated Accounts

The District's athletic department maintains two checking accounts to pay individuals for officiating at sporting events as well as other miscellaneous expenses. These accounts are held in the name of the District, but are not maintained on the District's books. The combined total of these checking accounts in the amount of \$1,337 have been reported as "Cash in Segregated Accounts" in the financial statements and are included in the total amount of deposits reported below.

D. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$262,437. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$166,315 of the District's bank balance of \$266,315 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Investments

As of June 30, 2005, the District had the following investments and maturities:

| <u>Investment type</u> | <u>Fair Value</u> | <u>Investment Maturities</u> 6 months or less |
|------------------------|-------------------|---|
| STAR Ohio | \$ 1,274,809 | \$ 1,274,809 |

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% to Total</u> |
|------------------------|-------------------|-------------------|
| STAR Ohio | \$ 1,274,809 | 100.00% |

F. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

| <u>Cash and Investments per footnote</u> | |
|--|---------------------|
| Carrying amount of deposits | \$ 262,437 |
| Investments | 1,274,809 |
| Cash with fiscal agent | <u>395,624</u> |
| Total | <u>\$ 1,932,870</u> |

| <u>Cash and investments per Statement of Net Assets</u> | |
|---|---------------------|
| Governmental activities | \$ 1,880,098 |
| Private-purpose trust funds | 2,000 |
| Agency funds | <u>50,772</u> |
| Total | <u>\$ 1,932,870</u> |

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances for the year ended June 30, 2005, as reported on the fund financial statements consisted of the following interfund receivable and payable:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|---------------|
| General | Nonmajor governmental funds | \$ 4,800 |

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2005 are reported on the Statement of Net Assets.

- B. Interfund balances at June 30, 2005 as reported on the fund statements, consist of the following due to and from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|---------------|
| General | Nonmajor governmental funds | \$ 430 |

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2005 are reported on the Statement of Net Assets.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Ashland and Lorain Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$502,657 in the general fund, \$75,250 in the Debt Service fund, \$51,343 in the Permanent Improvement fund and \$9,854 in the Classroom Facilities fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2004 was \$482,064 in the general fund, \$70,971 in the Debt Service fund, \$48,134 in the Permanent Improvement fund and \$8,918 in the Classroom Facilities fund.

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

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2005 taxes were collected are:

| | 2004 Second Half Collections | | 2005 First Half Collections | |
|--|---------------------------------|----------------------|--------------------------------|----------------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 88,266,130 | 89.32 | \$ 93,556,710 | 90.55 |
| Public utility personal | 7,686,060 | 7.78 | 7,222,480 | 6.99 |
| Tangible personal property | <u>2,867,660</u> | <u>2.90</u> | <u>2,545,977</u> | <u>2.46</u> |
| Total | <u>\$ 98,819,850</u> | <u>100.00</u> | <u>\$ 103,325,167</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation for: | | | | |
| Operations | \$ 41.10 | | \$ 41.10 | |
| Debt retirement | 3.80 | | 3.80 | |
| Permanent improvement | 4.00 | | 4.00 | |

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes and intergovernmental grants and entitlements. 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 year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

| | |
|-------------------|----------------------------|
| Taxes | \$ 2,718,322 |
| Intergovernmental | <u>30,007</u> |
| Total | <u>\$ 2,748,329</u> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

| | <u>Balance June 30, 2004</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2005</u> |
|---|----------------------------------|---------------------|-----------------------|----------------------------------|
| Governmental Activities | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 312,800 | \$ - | \$ (19,600) | \$ 293,200 |
| Construction in progress | <u>2,322,557</u> | <u>-</u> | <u>(2,322,557)</u> | <u>-</u> |
| Total capital assets, not being depreciated | <u>2,635,357</u> | <u>-</u> | <u>(2,342,157)</u> | <u>293,200</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 1,632,274 | 788,519 | (5,862) | 2,414,931 |
| Buildings and improvements | 15,957,598 | 3,430,209 | (606,382) | 18,781,425 |
| Furniture and equipment | 589,578 | 410,399 | (54,734) | 945,243 |
| Vehicles | <u>902,387</u> | <u>59,100</u> | <u>(50,360)</u> | <u>911,127</u> |
| Total capital assets, being depreciated | <u>19,081,837</u> | <u>4,688,227</u> | <u>(717,338)</u> | <u>23,052,726</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (258,658) | (117,398) | 5,862 | (370,194) |
| Buildings and improvements | (859,329) | (586,338) | 606,382 | (839,285) |
| Furniture and equipment | (121,180) | (81,808) | 54,734 | (148,254) |
| Vehicles | <u>(514,650)</u> | <u>(72,576)</u> | <u>47,110</u> | <u>(540,116)</u> |
| Total accumulated depreciation | <u>(1,753,817)</u> | <u>(858,120)</u> | <u>714,088</u> | <u>(1,897,849)</u> |
| Governmental activities capital assets, net | <u>\$ 19,963,377</u> | <u>\$ 3,830,107</u> | <u>\$ (2,345,407)</u> | <u>\$ 21,448,077</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|-------------------|
| <u>Instruction:</u> | |
| Regular | \$ 726,508 |
| Special | 765 |
| Vocational | 1,556 |
| <u>Support Services:</u> | |
| Administration | 14,563 |
| Operations and maintenance | 9,914 |
| Fiscal | 2,472 |
| Pupil transportation | 72,576 |
| Extracurricular activities | 20,448 |
| Food service operations | <u>9,318</u> |
| Total depreciation expense | <u>\$ 858,120</u> |

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

| | Balance Outstanding <u>June 30, 2004</u> | <u>Additions</u> | <u>Reductions</u> | Balance Outstanding <u>June 30, 2005</u> | Amounts Due in <u>One Year</u> |
|---|--|------------------|---------------------|--|--------------------------------------|
| Governmental Activities: | | | | | |
| Classroom Facilities Improvement | | | | | |
| Bonds, 3.4%-5.7%, 4/1/04-12/1/19 | \$ 3,895,000 | \$ - | \$ (120,000) | \$ 3,775,000 | \$ 130,000 |
| Compensated absences | <u>411,370</u> | <u>46,485</u> | <u>(61,405)</u> | <u>396,450</u> | <u>41,991</u> |
| Total long-term obligations, governmental activities | <u>\$ 4,306,370</u> | <u>\$ 46,485</u> | <u>\$ (181,405)</u> | <u>\$ 4,171,450</u> | <u>\$ 171,991</u> |

The District has issued general obligation bonds to provide for the construction of school facilities. The general obligation bonds are direct obligations of the District for which its full faith, credit, and resources are pledged and payable from taxes levied on all taxable property in the District. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

- B. Principal and interest requirements to retire the classroom facilities improvements bonds outstanding at June 30, 2005 are as follows:

| <u>Year Ending June 30</u> | <u>Principal on Bonds</u> | <u>Interest on Bonds</u> | <u>Total</u> |
|--------------------------------|-------------------------------|------------------------------|---------------------|
| 2006 | \$ 130,000 | \$ 184,885 | \$ 314,885 |
| 2007 | 145,000 | 179,945 | 324,945 |
| 2008 | 155,000 | 174,145 | 329,145 |
| 2009 | 170,000 | 167,790 | 337,790 |
| 2010 | 185,000 | 160,650 | 345,650 |
| 2011-2015 | 1,200,000 | 657,394 | 1,857,394 |
| 2016-2020 | <u>1,790,000</u> | <u>279,061</u> | <u>2,069,061</u> |
| Total | <u>\$ 3,775,000</u> | <u>\$ 1,803,870</u> | <u>\$ 5,578,870</u> |

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$5,861,583 and an unvoted debt margin of \$103,325.

NOTE 10 - NOTES PAYABLE

The District's notes payable activity for the fiscal year ended June 30, 2005 was as follows:

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 10 - NOTES PAYABLE - (Continued)

| | <u>Balance at</u> <u>6/30/2004</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at</u> <u>6/30/2005</u> |
|------------------------------------|---------------------------------------|------------------|-------------------|---------------------------------------|
| Tax Anticipation Note, Series 2005 | \$ - | \$ 250,000 | \$ (250,000) | \$ - |

On January 13, 2005, the District received \$250,000 in proceeds from current revenue notes. The notes bore an interest rate of 3.00%. The proceeds were used to meet payroll demands. The note was repaid on April 1, 2005. Principal payments, interest payments, and fiscal charges were \$250,000, \$1,771 and \$2,500, respectively.

NOTE 11 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees working eleven or twelve months per year are entitled to an annual vacation, with pay, based on length of service in the District. Accumulated unused vacation time is paid to employees upon termination of employment. Teachers and administrators working fewer than ten months per year 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 for an unlimited number of days. For certified and classified employees, payment is made at retirement for accumulated sick leave and is determined by taking one-fourth of the unused balance to a maximum of 46 days.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, boiler/machinery and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

| <u>Coverage</u> | <u>Insurer</u> | <u>Limits of Coverage</u> | <u>Deductible</u> |
|--------------------------------|----------------|---------------------------|-------------------|
| General liability: | SORSA | | |
| Each occurrence | | \$ 3,000,000 | \$ 0 |
| Aggregate | | 5,000,000 | 0 |
| Property/building and contents | SORSA | 22,500,794 | 1,000 |
| Fleet: | | | |
| Comprehensive | SORSA | Included in property | 250 |
| Collision | | Included in property | 250 |
| Umbrella liability | SORSA | 2,000,000 | 0 |

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance from the prior year.

B. Fidelity Bond

The Board President and Superintendent have a \$20,000 position bond. The Treasurer is covered under a surety bond in the amount of \$20,000. All other school employees who are responsible for handling funds are covered by a \$40,500 fidelity bond.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2005, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

D. Employee Group Medical/Surgical, Dental and Vision Insurance

The District has elected to provide employee medical, prescription, and dental benefits through a self-insurance program. The District maintains a self-insurance fund through their fiscal agent, Ohio Mid Eastern Regional Service Agency (OME-RESA), to account for and finance its uninsured risk of loss in this program. This plan provides a medical plan with a \$200.00 family and \$100.00 single deductible and a dental plan with a \$50.00 family and \$25.00 single deductible. A third party administrator, Self-Funded Plans, Inc., reviews all medical and dental claims which are then paid by the District. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$100,000. A stop-loss internal pooling insurance contract with OME-RESA covers specific liability claims between \$35,000 and \$100,000.

The District pays to the self-insurance fund a premium based on one of five benefit option combinations selected by the employee. Employees are responsible for a portion of this premium based on job classification and length of workday as outlined in their negotiated agreement. Premiums for medical coverage are \$1,045.38 per month for each employee with family coverage and \$474.41 per month for each employee with individual coverage. The premium for dental coverage is \$49.70 monthly for each employee with family or individual coverage. The premium for life insurance is \$3.10 monthly for each \$20,000 in coverage. The premium for vision coverage is \$13.55 per month for each employee with family coverage and \$6.07 per month for each employee with individual coverage. All premiums are paid by the fund that pays the salary for the employee. The claims liability of \$60,352 reported in the internal service fund at June 30, 2005 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - RISK MANAGEMENT - (Continued)

| <u>Fiscal Year</u> | <u>Beginning Balance</u> | <u>Claims Incurred</u> | <u>Claims Payments</u> | <u>Ending Balance</u> |
|--------------------|------------------------------|----------------------------|----------------------------|---------------------------|
| 2005 | \$ 57,853 | \$ 820,973 | \$ (818,474) | \$ 60,352 |
| 2004 | 58,008 | 759,772 | (759,927) | 57,853 |

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$91,537, \$77,669, and \$67,332, respectively; 48.74% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$46,922 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$470,656, \$450,946, and \$432,410, respectively; 81.70% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$86,116, represents the unpaid contribution for fiscal year 2005. Contributions to the Combined Plans for fiscal year 2005 were \$5,142 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$36,204 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$42,846 during the 2005 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

| | <u>General Fund</u> |
|---|---------------------|
| Budget basis | \$ (343,557) |
| Net adjustment for revenue accruals | 20,342 |
| Net adjustment for expenditure accruals | 382,271 |
| Net adjustment for other sources/uses | (247,469) |
| Adjustment for encumbrances | <u>46,937</u> |
| GAAP basis | <u>\$ (141,476)</u> |

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

| | <u>Textbooks</u> | <u>Capital Acquisition</u> | <u>BWC Refunds</u> |
|--|---------------------|--------------------------------|------------------------|
| Set-aside cash balance as of June 30, 2004 | \$ (263,788) | \$ (3,832,811) | \$ 32,439 |
| Current year set-aside requirement | 147,012 | 147,012 | - |
| Current year offset | - | (218,394) | - |
| Qualifying disbursements | <u>(378,253)</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ (495,029)</u> | <u>\$ (3,904,193)</u> | <u>\$ 32,439</u> |
| Cash balance carried forward to FY 2006 | <u>\$ (495,029)</u> | <u>\$ (3,832,811)</u> | <u>\$ 32,439</u> |

Monies representing BWC refunds that were received prior to April 10, 2002, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. The amount is reported as BWC refunds.

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbook reserve and this extra amount may be used to reduce the set-aside requirement for future years. The District issued bonds to finance construction of new school facilities and this amount may be used to reduce the capital acquisition set-aside requirement. The excess qualifying disbursements in the capital acquisition reserve may not be carried forward to future years.

A schedule of the restricted assets at June 30, 2005 follows:

| | |
|------------------------------------|------------------|
| Amounts restricted for BWC refunds | <u>\$ 32,439</u> |
|------------------------------------|------------------|

NOTE 18 - CONTRACTUAL COMMITMENT

At June 30, 2005 outstanding contractual commitments related to the Ohio Schools Facilities Commission project were estimated as follows:

| <u>Vendor</u> | <u>Estimated Balance at June 30, 2005</u> |
|---------------------|---|
| Telamon | \$ 50,713 |
| School Speciality | 24,728 |
| Baumann Enterprises | 12,341 |
| Advanced Computer | <u>1,565</u> |
| Total | <u>\$ 89,347</u> |

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 19 - SUBSEQUENT EVENTS

A. Notes

The District issued \$350,000 in current tax revenue notes on December 19, 2005 to meet current operating expenses. The notes bear in interest rate of 4.25% and mature on May 1, 2006.

B. Treasurer

On July 12, 2005, Mary Workman was hired as the Treasurer.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Board of Education
Mapleton Local School District
2 Mountie Drive
Ashland, Ohio 44805

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mapleton Local School District as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 27, 2006. As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mapleton Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Mapleton Local School District in a separate letter dated January 27, 2006.

Board of Education
Mapleton Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mapleton Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board and management of Mapleton Local School District, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
January 27, 2006

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

| <u>Finding Number</u> | <u>Finding Summary</u> | <u>Fully Corrected?</u> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------------------------|---|------------------------------------|---|
| 2004-MLSD-001 | Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. | Yes | N/A |



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 17, 2006**