

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2006*

MERRI SMITH, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Maplewood Local School District
2414 Greenville Rd., NE
Cortland, Ohio 44410

We have reviewed the *Independent Auditor's Report* of the Maplewood Local School District, Trumbull County, prepared by Julian & Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. 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 Maplewood Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 24, 2007

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**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Board of Education
Maplewood Local School District
2414 Greenville Road NE
Cortland, Ohio 44410

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Maplewood Local School District, Trumbull County, (the "District"), as of and for the fiscal year ended June 30, 2006, 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, its major fund, and the aggregate remaining fund information of Maplewood Local School District, Trumbull County, as of June 30, 2006, and the respective changes in financial position, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2007, 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Julian & Grube, Inc.
March 16, 2007

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The management's discussion and analysis of the Maplewood 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, 2006. 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 notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities decreased \$439,001 which represents a 2.15% decrease from 2005.
- General revenues accounted for \$8,264,103 in revenue or 90.08% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$910,445 or 9.92% of total revenues of \$9,174,548.
- The District had \$9,613,549 in expenses related to governmental activities; \$910,445 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,264,103 were not adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$8,417,466 in revenues and other financing sources and \$7,906,125 in expenditures. During fiscal year 2006, the general fund's fund deficit decreased \$511,341 from a deficit of \$944,939 to a deficit of \$433,598.

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 is by far the most significant fund, and the only governmental fund reported as a major fund.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 2006?" 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 only major governmental fund is the general 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.

Reporting the District's Fiduciary Responsibilities

The District 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 a separate Statement of Fiduciary Net Assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 21-49 of this report.

The District as a Whole

The table below provides a summary of the District's assets, liabilities and net assets for 2006 and 2005.

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
Current and other assets	\$ 3,530,497	\$ 2,772,564
Capital assets, net	<u>23,445,208</u>	<u>24,176,770</u>
Total assets	<u>26,975,705</u>	<u>26,949,334</u>
<u>Liabilities</u>		
Current liabilities	2,983,792	3,063,265
Long-term liabilities	<u>4,025,085</u>	<u>3,480,240</u>
Total liabilities	<u>7,008,877</u>	<u>6,543,505</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	21,061,511	21,595,041
Restricted	824,540	546,880
Unrestricted (deficit)	<u>(1,919,223)</u>	<u>(1,736,092)</u>
Total net assets	<u>\$ 19,966,828</u>	<u>\$ 20,405,829</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$19,966,828. Of this total, \$824,540 is restricted in use.

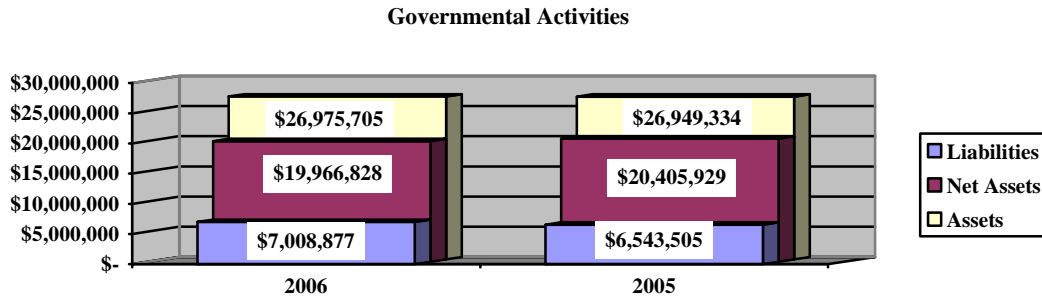
At year-end, capital assets represented 86.91% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$21,061,511. These capital assets are used 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, \$824,540, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$1,919,223.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below shows the Districts assets, liabilities and net assets as reported on the statement of net assets for June 30, 2006 and 2005:



The table below shows the change in net assets for fiscal year 2006 and 2005.

Change in Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 399,295	\$ 448,723
Operating grants and contributions	497,582	456,670
Capital grants and contributions	13,568	20,329
General revenues:		
Property taxes	2,207,697	2,126,192
Grants and entitlements	5,961,141	5,601,183
Investment earnings	25,975	14,122
Other	69,290	123,369
Total revenues	<u>9,174,548</u>	<u>8,790,588</u>

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Change in Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,914,534	\$ 5,017,211
Special	602,457	752,448
Vocational	22,281	40,159
Adult	1,500	2,750
Support services:		
Pupil	376,968	403,959
Instructional staff	207,013	222,100
Board of education	31,685	37,548
Administration	883,899	720,736
Fiscal	195,083	215,097
Business	39,900	41,351
Operations and maintenance	983,383	1,084,944
Pupil transportation	486,551	521,339
Central	68,466	175,254
Operations of non-instructional services:		
Food service operations	401,271	395,055
Other non-instructional services	3,969	29,961
Extracurricular activities	222,511	261,046
Interest and fiscal charges	<u>172,078</u>	<u>161,489</u>
Total expenses	<u>9,613,549</u>	<u>10,082,447</u>
Change in net assets	(439,001)	(1,291,859)
Net assets at beginning of year	<u>20,405,829</u>	<u>21,697,688</u>
Net assets at end of year	<u>\$ 19,966,828</u>	<u>\$ 20,405,829</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$439,001. Total governmental expenses of \$9,613,549 were offset by program revenues of \$910,445 and general revenues of \$8,264,103. Program revenues supported 9.47% 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 89.04% of total governmental revenue.

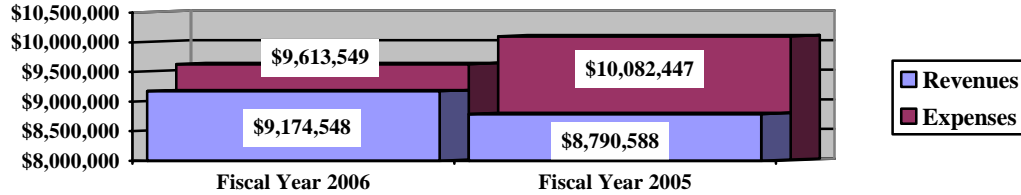
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,540,772 or 57.64% of total governmental expenses for fiscal 2006.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2006 and 2005.

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

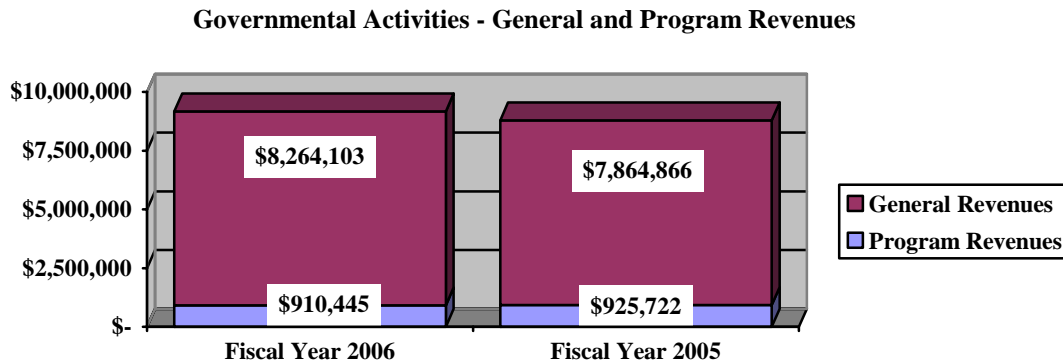
	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Program expenses				
Instruction:				
Regular	\$ 4,914,534	\$ 4,755,003	\$ 5,017,211	\$ 4,785,791
Special	602,457	365,295	752,448	588,989
Vocational	22,281	22,281	40,159	40,159
Adult	1,500	1,500	2,750	2,750
Support services:				
Pupil	376,968	376,968	403,959	403,959
Instructional staff	207,013	158,022	222,100	133,170
Board of education	31,685	31,685	37,548	37,548
Administration	883,899	855,425	720,736	703,754
Fiscal	195,083	195,083	215,097	215,097
Business	39,900	39,900	41,351	41,351
Operations and maintenance	983,383	983,383	1,084,944	1,064,615
Pupil transportation	486,551	480,214	521,339	511,819
Central	68,466	59,466	175,254	166,254
Operations of non-instructional services:				
Food service operations	401,271	58,041	395,055	80,449
Other non-instructional services	3,969	3,969	29,961	29,961
Extracurricular activities	222,511	144,791	261,046	189,570
Interest and fiscal charges	172,078	172,078	161,489	161,489
Total expenses	<u>\$ 9,613,549</u>	<u>\$ 8,703,104</u>	<u>\$ 10,082,447</u>	<u>\$ 9,156,725</u>

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The dependence upon tax and other general revenues for governmental activities is apparent, 92.84% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 90.53%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2006 and 2005.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$130,454, which greater than last year's total fund deficit balance of \$457,579. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance (Deficit) <u>June 30, 2006</u>	Fund Balance (Deficit) <u>June 30, 2005</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ (433,598)	\$ (944,939)	\$ 511,341	54.11 %
Other Governmental	<u>564,052</u>	<u>487,360</u>	<u>76,692</u>	15.74 %
Total	<u>\$ 130,454</u>	<u>\$ (457,579)</u>	<u>\$ 588,033</u>	128.51 %

General Fund

The District's general fund deficit decreased \$511,341. The decrease in the deficit is primarily attributed to the issuance of \$500,000 in note proceeds received in fiscal year 2006. Revenues exceed expenditures for fiscal year 2006 by \$8,831. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 1,832,972	\$ 1,708,665	\$ 124,307	7.28 %
Earnings on investments	20,213	12,410	7,803	62.88 %
Intergovernmental	5,910,305	5,569,811	340,494	6.11 %
Other revenues	<u>151,466</u>	<u>236,699</u>	<u>(85,233)</u>	(36.01) %
Total	<u>\$ 7,914,956</u>	<u>\$ 7,527,585</u>	<u>\$ 387,371</u>	5.15 %
<u>Expenditures</u>				
Instruction	\$ 4,715,306	\$ 4,844,916	\$ (129,610)	(2.68) %
Support services	2,999,988	3,125,042	(125,054)	(4.00) %
Non-instructional services	3,969	29,961	(25,992)	(86.75) %
Extracurricular activities	145,536	162,553	(17,017)	(10.47) %
Debt service	<u>41,326</u>	<u>28,545</u>	<u>12,781</u>	44.77 %
Total	<u>\$ 7,906,125</u>	<u>\$ 8,191,017</u>	<u>\$ (284,892)</u>	(3.48) %

Overall, expenditures of the general fund decreased \$284,892 or 3.48% from fiscal year 2005. The decrease in expenditures coupled with the increase in tax and intergovernmental revenue resulted in an improved fund balance in the general fund versus fiscal year 2005.

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 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,032,363 and final budgeted revenues and other financing sources were \$8,347,084. Actual revenues and other financing sources for fiscal 2006 was \$9,176,301. This represents a \$829,217 increase over final budgeted revenues and other financing sources. The increase is primarily due to an increase in tax and intergovernmental revenues coupled with the issuance of tax anticipation notes.

General fund original appropriations (appropriated expenditures including other financing uses) were \$8,309,155 and final appropriations were \$8,155,460. The actual budget basis expenditures for fiscal year 2006 totaled \$8,575,936, which was \$420,476 greater than the final budget appropriations.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$23,445,208 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 2006 balances compared to 2005:

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

	Governmental Activities	
	2006	2005
Land	\$ 273,697	\$ 273,697
Land improvements	97,571	93,584
Building and improvements	21,930,630	22,516,440
Furniture and equipment	899,477	1,040,148
Vehicles	243,833	252,901
 Total	 \$ 23,445,208	 \$ 24,176,770

The overall decrease in capital assets of \$731,562 is due to depreciation expense of \$812,585 exceeding capital outlays of \$81,023 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, 2006, the District had \$2,440,837 in general obligation bonds, \$500,000 in a long-term tax anticipation note, \$18,985 in an asbestos removal loan, and \$25,387 in a lease-purchase obligation outstanding and \$6,009 in capital lease obligation. Of this total, \$141,396 is due within one year and \$2,849,822 is due in more than one year. The following table summarizes the bonds, note and loan outstanding.

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	2006	2005
General obligation bonds	\$ 2,440,837	\$ 2,521,827
Lease-purchase obligation	25,387	99,924
Tax anticipation note	500,000	-
Capital lease obligation	6,009	28,885
Asbestos removal loan	18,985	23,985
 Total	 \$ 2,991,218	 \$ 2,674,621

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

At June 30, 2006, the District's overall legal debt margin was \$6,081,407, and an unvoted debt margin of \$92,511.

See Note 11 to the basic financial statements for additional information.

Current Financial Related Activities

The District has continued to improve academically as shown by the State's report card giving the District an excellent rating. Enrollment has remained fairly constant over the years providing for a stable planning base.

The certified and classified employee contracts expired in fiscal year 2006. Both groups extended their existing contract until the end of fiscal year 2007 to give the District additional time during its financial difficulty. Step increases have been the only wage increases given to either group. Insurance benefits are a major contributor to the financial restraints of the District. Other factors include the completion of an Ohio Schools Facility Commission project which has increased operating costs drastically along with utilities.

With an unconstitutional education funding system, providing neither an "adequate" nor "equitable" funding as defined by the Ohio Constitution, we were forced to ask the taxpayer once again for additional revenue. With the passage of an emergency levy in May, 2006 we have been able to update our fiscal recovery plan and make necessary changes to show a positive forecast for the next four years.

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. Merri Smith, Treasurer, Maplewood Local School District, 2414 Greenville Road NE, Cortland, Ohio 44410.

**BASIC
FINANCIAL STATEMENTS**

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,205,257
Receivables:	
Taxes	2,229,773
Accounts	4,676
Intergovernmental	6,000
Loan.	4,307
Prepayments	9,928
Materials and supplies inventory	16,470
Unamortized bond issue costs	54,086
Capital assets:	
Land	273,697
Depreciable capital assets, net	23,171,511
Capital assets, net.	23,445,208
 Total assets.	 26,975,705
 Liabilities:	
Accounts payable.	53,034
Accrued wages and benefits	650,490
Pension obligation payable.	193,172
Intergovernmental payable	14,337
Deferred revenue	2,057,948
Accrued interest payable	14,811
Long-term liabilities:	
Due within one year.	385,289
Due in more than one year	3,639,796
Total liabilities	7,008,877
 Net Assets:	
Invested in capital assets, net of related debt.	21,061,511
Restricted for:	
Debt service.	114,392
Capital projects	292,877
Classroom facilities maintenance.	129,890
Locally funded programs.	3,021
State funded programs.	7,542
Federally funded programs.	5,999
Student activities.	21,223
Other purposes	249,596
Unrestricted (deficit).	(1,919,223)
Total net assets	\$ 19,966,828

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction:					
Regular	\$ 4,914,534	\$ 117,426	\$ 28,537	\$ 13,568	\$ (4,755,003)
Special	602,457	-	237,162	-	(365,295)
Vocational	22,281	-	-	-	(22,281)
Adult	1,500	-	-	-	(1,500)
Support services:					
Pupil	376,968	-	-	-	(376,968)
Instructional staff	207,013	-	48,991	-	(158,022)
Board of education	31,685	-	-	-	(31,685)
Administration	883,899	-	28,474	-	(855,425)
Fiscal	195,083	-	-	-	(195,083)
Business	39,900	-	-	-	(39,900)
Operations and maintenance	983,383	-	-	-	(983,383)
Pupil transportation	486,551	6,337	-	-	(480,214)
Central	68,466	-	9,000	-	(59,466)
Operation of non-instructional services:					
Food service operations	401,271	202,604	140,626	-	(58,041)
Other non-instructional services	3,969	-	-	-	(3,969)
Extracurricular activities	222,511	72,928	4,792	-	(144,791)
Interest and fiscal charges	172,078	-	-	-	(172,078)
Total governmental activities	<u>\$ 9,613,549</u>	<u>\$ 399,295</u>	<u>\$ 497,582</u>	<u>\$ 13,568</u>	<u>(8,703,104)</u>
General Revenues:					
Property taxes levied for:					
General purposes					1,820,053
Special revenue					32,508
Debt service					202,352
Capital projects					152,784
Grants and entitlements not restricted to specific programs					5,961,141
Investment earnings					25,975
Miscellaneous					69,290
Total general revenues					<u>8,264,103</u>
Change in net assets					(439,001)
Net assets at beginning of year					<u>20,405,829</u>
Net assets at end of year					<u>\$ 19,966,828</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 313,304	\$ 642,357	\$ 955,661
Receivables:			
Taxes	1,808,636	421,137	2,229,773
Accounts	3,032	1,644	4,676
Intergovernmental	-	6,000	6,000
Advances to other funds	21,904	-	21,904
Loan	4,307	-	4,307
Prepayments	9,928	-	9,928
Materials and supplies inventory	8,827	7,643	16,470
Restricted assets:			
Equity in pooled cash and cash equivalents	249,596	-	249,596
Total assets	\$ 2,419,534	\$ 1,078,781	\$ 3,498,315
Liabilities:			
Accounts payable	\$ 43,322	\$ 9,712	\$ 53,034
Accrued wages and benefits	607,484	43,006	650,490
Compensated absences payable	152,620	-	152,620
Early retirement incentive payable	72,000	-	72,000
Pension obligation payable	171,187	21,985	193,172
Intergovernmental payable	13,675	662	14,337
Advances from other funds	-	21,904	21,904
Deferred revenue	1,792,844	417,460	2,210,304
Total liabilities	2,853,132	514,729	3,367,861
Fund Balances:			
Reserved for encumbrances	16,493	17,393	33,886
Reserved for materials and supplies inventory	8,827	7,643	16,470
Reserved for prepayments	9,928	-	9,928
Reserved for property tax unavailable for appropriation	15,792	3,677	19,469
Reserved for debt service	-	111,895	111,895
Reserved for advances	21,904	-	21,904
Reserved for instructional materials	249,596	-	249,596
Unreserved, undesignated (deficit), reported in:			
General fund	(756,138)	-	(756,138)
Special revenue funds	-	143,817	143,817
Capital projects funds	-	279,627	279,627
Total fund balances (deficit)	(433,598)	564,052	130,454
Total liabilities and fund balances	\$ 2,419,534	\$ 1,078,781	\$ 3,498,315

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total governmental fund balances		\$	130,454
<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.			23,445,208
Other long-term assets (taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.			152,356
Unamortized bond issuance costs are not recognized in the funds governmental activities in the statement of net assets.			54,086
Unamortized premiums on bond issuance is not recognized in the funds.			(169,617)
Unamortized deferred charges on refundings are not recognized in the funds.			106,150
Accrued interest payable is not due and payable in the current period and is therefore not reported in the funds.			(14,811)
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	\$	745,780	
Asbestos removal loan		18,985	
Capital lease obligation		6,009	
Lease-purchase obligation		25,387	
Tax anticipation note		500,000	
General obligation bonds		2,440,837	
Total			(3,736,998)
Net assets of governmental activities		\$	19,966,828

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 1,832,972	\$ 390,545	\$ 2,223,517
Tuition.	72,460	-	72,460
Transportation fees.	6,337	-	6,337
Earnings on investments.	20,213	5,762	25,975
Charges for services.	-	202,604	202,604
Extracurricular.	-	67,791	67,791
Classroom materials and fees	19,457	24,413	43,870
Other local revenues.	53,212	30,323	83,535
Intergovernmental - State.	5,798,917	107,371	5,906,288
Intergovernmental - Federal	111,388	450,010	561,398
Total revenue	<u>7,914,956</u>	<u>1,278,819</u>	<u>9,193,775</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,323,457	93,543	4,417,000
Special.	366,229	185,808	552,037
Vocational.	24,120	-	24,120
Adult.	1,500	-	1,500
Support services:			
Pupil.	376,090	150	376,240
Instructional staff	158,767	49,354	208,121
Board of education	31,685	-	31,685
Administration.	755,185	29,245	784,430
Fiscal	198,741	9,330	208,071
Business	39,604	-	39,604
Operations and maintenance.	947,121	41,164	988,285
Pupil transportation	422,180	54,665	476,845
Central.	70,615	9,000	79,615
Operation of non-instructional services:			
Food service operations	-	318,807	318,807
Other non-instructional services.	3,969	-	3,969
Extracurricular activities.	145,536	76,652	222,188
Facilities acquisition and construction	-	34,354	34,354
Debt service:			
Principal retirement	22,876	179,537	202,413
Interest and fiscal charges	18,450	124,944	143,394
Bond issuance costs	-	54,345	54,345
Total expenditures	<u>7,906,125</u>	<u>1,260,898</u>	<u>9,167,023</u>
Excess of revenues over (under) expenditures	<u>8,831</u>	<u>17,921</u>	<u>26,752</u>
Other financing sources (uses):			
Issuance of notes.	500,000	-	500,000
Sale of assets.	2,510	-	2,510
Issuance of bonds.	-	1,545,000	1,545,000
Premium on sale of bonds.	-	170,429	170,429
Payment to refunding bond escrow agent	-	(1,656,658)	(1,656,658)
Total other financing sources (uses)	<u>502,510</u>	<u>58,771</u>	<u>561,281</u>
Net change in fund balances	511,341	76,692	588,033
Fund balances (deficit) at beginning of year	(944,939)	487,360	(457,579)
Fund balances (deficit) at end of year.	<u>\$ (433,598)</u>	<u>\$ 564,052</u>	<u>\$ 130,454</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL 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, 2006

Net change in fund balances - total governmental funds	\$	588,033
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	\$ 81,023	
Depreciation expense	(812,585)	
Total		(731,562)
The issuance of refunding bonds are recorded as an other financing source in the governmental funds; however, the proceeds increase long-term liabilities on the statement net assets.		
		(1,545,000)
Payments to refunding bond escrow agents are an other financing use in the governmental funds, but the payment reduces long-term liabilities on the statement of net assets.		
		1,550,000
The sale of notes is recorded as an other financing source in the governmental funds; however, the proceeds increase long-term liabilities on the statement of net assets.		
		(500,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(15,820)	
Intergovernmental	(5,917)	
Total		(21,737)
Repayment of bond, asbestos removal loan, capital lease, and lease-purchase obligation principal is recorded as an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets.		
		202,413
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. The additional interest reported in the statement of activities is due to the following:		
Increase in accrued interest payable	(4,719)	
Accreted interest on "capital appreciation bonds"	(24,010)	
Bond issuance costs incurred in the current fiscal year	54,345	
Amortization of bond issuance costs	(259)	
Premium on bonds issued in the current fiscal year	(170,429)	
Amortization of bond premiums	812	
Deferred charges on refundings incurred in the fiscal year	106,658	
Amortization of deferred charges on refundings	(508)	
Total		(38,110)
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.		
		56,962
Change in net assets of governmental activities	\$	(439,001)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL 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, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 1,598,940	\$ 1,661,589	\$ 1,826,655	\$ 165,066
Tuition	75,659	78,623	86,434	7,811
Transportation fees	5,547	5,764	6,337	573
Earnings on investments	17,693	18,386	20,213	1,827
Classroom materials and fees	17,112	17,782	19,549	1,767
Other local revenues	24,404	25,360	27,879	2,519
Intergovernmental - State	5,079,390	5,278,409	5,802,777	524,368
Intergovernmental - Federal	97,502	101,322	111,388	10,066
Total revenue	<u>6,916,247</u>	<u>7,187,235</u>	<u>7,901,232</u>	<u>713,997</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,092,332	4,016,635	4,223,723	(207,088)
Special	374,638	367,708	386,666	(18,958)
Vocational	28,284	27,761	29,192	(1,431)
Adult/continuing	1,453	1,426	1,500	(74)
Support services:				
Pupil	358,338	351,710	369,843	(18,133)
Instructional staff	156,005	153,120	161,014	(7,894)
Board of education	25,440	24,970	26,257	(1,287)
Administration	632,726	621,023	653,041	(32,018)
Fiscal	197,848	194,188	204,200	(10,012)
Business	63,680	62,503	65,725	(3,222)
Operations and maintenance	976,863	958,794	1,008,227	(49,433)
Pupil transportation	425,215	417,350	438,867	(21,517)
Central	85,463	83,882	88,207	(4,325)
Operation of non-instructional services	3,422	3,359	3,532	(173)
Extracurricular activities	140,169	137,576	144,669	(7,093)
Debt Service:				
Principal retirement	726,669	713,228	750,000	(36,772)
Interest and fiscal charges	16,437	16,132	16,966	(834)
Total expenditures	<u>8,304,982</u>	<u>8,151,365</u>	<u>8,571,629</u>	<u>(420,264)</u>
Deficiency of revenues under expenditures	<u>(1,388,735)</u>	<u>(964,130)</u>	<u>(670,397)</u>	<u>293,733</u>
Other financing sources (uses):				
Refund of prior year expenditure	19,747	20,520	22,559	2,039
Advances (out)	(4,173)	(4,095)	(4,307)	(212)
Sale of notes	1,094,172	1,137,045	1,250,000	112,955
Sale of assets	2,197	2,284	2,510	226
Total other financing sources (uses)	<u>1,111,943</u>	<u>1,155,754</u>	<u>1,270,762</u>	<u>115,008</u>
Net change in fund balance	(276,792)	191,624	600,365	408,741
Fund balance (deficit) at beginning of year	(167,520)	(167,520)	(167,520)	-
Prior year encumbrances appropriated	70,516	70,516	70,516	-
Fund balance at end of year	<u>\$ (373,796)</u>	<u>\$ 94,620</u>	<u>\$ 503,361</u>	<u>\$ 408,741</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2006

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 54,068
Total assets.	\$ 54,068
Liabilities:	
Accounts payable.	\$ 1,479
Loan payable.	4,307
Due to students	48,282
Total liabilities	\$ 54,068

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Maplewood Local School District (the "District") is located in Trumbull County and encompasses all of the Johnston, Greene and Mecca Townships and a portion of the City of Cortland.

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District is the 466th largest by enrollment among the 613 public school districts in the state. It currently operates one elementary school, one middle school, and one high school. The District is staffed by 32 non-certified and 68 certificated personnel to provide services to approximately 1,101 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 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 Organization Are Component Units". The reporting entity is composed of the primary government, component units and other organization 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' government 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:

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Management Information Network (NEOMIN)

NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a treasurer from each county who must be employed by a participating school district, the fiscal agent or NEOMIN. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Financial information for NEOMIN may be obtained by contacting the Treasurer of the Trumbull County Educational Service Center, 6000 Youngstown Warren Rd., Niles, Ohio 44446.

Trumbull Career and Technical Center

The Trumbull Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 15 participating school district's elected boards, which possesses its own budgeting and taxing authority. Financial information may be obtained by contacting the Treasurer of the Trumbull Career and Technical Center, 528 Educational Highway, Warren, Ohio 44483.

Northeast Ohio Instructional Media Center (NEOIMC)

NEOIMC is a jointly governed organization among 45 school districts. The organization was formed for the purpose of providing quality films and/or other media to support the curricula of the Districts. Each member pays a monthly premium based on use of the media materials. NEOIMC is governed by an advisory committee made up of a member from a parochial school, a Joint Vocational School, one county superintendent from each participating county, one city superintendent, and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Financial information can be obtained by contacting the Treasurer for the Trumbull County Educational Service Center, 6000 Youngstown Warren Rd., Niles, Ohio 44446.

Northeast Ohio Special Education Regional Resource Center (NEO/SERRC)

NEO/SERRC is a special education service center which selects its own board, adopts its own budget and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 105 Youngstown, Ohio 44512-7019.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Region 12 Professional Development Center (Center)

The Center is a jointly governed organization among the school districts located in Trumbull, Mahoning and Columbiana counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improving instructional programs.

The District is also a participant in two public entity risk sharing pools, discussed in Note 13.

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 is the District's major governmental fund:

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.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (c) for grants and other resources whose use is restricted to a particular purpose; and (d) food service operations.

PROPRIETARY FUNDS

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 proprietary funds.

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District does not have any trust funds. The District's agency fund accounts for student activities.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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.

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. 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.

The agency fund does not report a measurement focus as it does not report operations.

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. Fiduciary funds 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.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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, tuition, grants and student fees.

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, 2006, but which were levied to finance fiscal year 2007 operation, 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.

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 2006 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 Trumbull County Budget Commission for tax rate determination.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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 2006.
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.
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, 2006; 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.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

F. Cash and Investments

To improve cash management, cash received by the District 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.

During fiscal year 2006, the District had no investments.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$20,213, which includes \$6,298 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.

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

H. Capital Assets

These capital 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. During fiscal year 2006, the District maintained a capitalization threshold of \$1,000. 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 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:

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans with advance funds are classified as “loan receivables/payables.”

On fund financial statements, receivables and payables resulting from long-term interfund advances are classified as “advances to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. The District records a liability for accumulated unused vacation time when earned for all employees with more than 1 year of service. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least five (5) years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. Compensated absences will be paid from the fund from which the employee’s salaries are paid, which for the District, is primarily the general fund.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

K. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are defined and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refunds resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11 A.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

M. 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, advances, materials and supplies inventory, debt service, prepayments, property tax revenue unavailable for appropriation and instructional materials. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

N. 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes represents monies restricted by State statute for instructional materials (see Note 18).

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

O. 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 financial statements 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.

P. 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.

Q. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a instructional materials reserve. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 18.

R. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

S. 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 2006.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
General	\$ 433,598
 <u>Nonmajor Funds</u>	
Poverty Aid	20
Management Information Systems	8
Title VI-B	12,168
Title I	21,154
Reducing Class Size	126
Emergency Building Repair	750

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.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$1,259,325. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$1,118,204 of the District's bank balance of \$1,318,204 was exposed to custodial risk as discussed below, while \$200,000 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.

B. 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, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 1,259,325
Total	<u>\$ 1,259,325</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 1,205,257
Agency fund	<u>54,068</u>
Total	<u>\$ 1,259,325</u>

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances consist of the following long-term advances to/from other funds, as reported on the fund financial statements at June 30, 2006:

<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 21,904

The primary purpose of the long-term advances is to cover costs in specific funds where revenues were not received by June 30. The long-term advances are not expected to be repaid within one year.

Long-term interfund advances between governmental funds are eliminated for reporting on the statement of net assets.

- B. Loans payable/receivable consisted of the following amounts reported on the fund financial statements at June 30, 2006:

	<u>Loan Receivable</u>	<u>Loan Payable</u>
General Fund	\$ 4,307	\$ -
Agency Fund:		
Student Managed Activity	-	4,307
Total	<u>\$ 4,307</u>	<u>\$ 4,307</u>

The primary purpose of the loan is to cover various expenses incurred during fiscal year 2006 Student Managed Activity fund. The loan is expected to be paid in the subsequent year.

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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 6 - PROPERTY TAXES – (Continued)

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien January 1, 2005, were levied after April 1, 2005 and are collected in 2006 with real property taxes. 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 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of January 1, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 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, 2006 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.

Available tax advances at June 30, 2006 totaled \$15,792 in the general fund, \$1,961 in the Bond Retirement fund (a nonmajor governmental fund), \$1,416 in the Permanent Improvements capital projects fund (a nonmajor governmental fund), and \$300 in the Classroom Facilities Maintenance special revenue fund (a nonmajor governmental fund). Available tax advances at June 30, 2005 totaled \$9,475 in the general fund, \$1,171 in the Bond Retirement fund (a nonmajor governmental fund), \$848 in the Permanent Improvements capital projects fund (a nonmajor governmental fund), and \$180 in the Classroom Facilities Maintenance special revenue fund (a nonmajor governmental fund).

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 6 - PROPERTY TAXES - (Continued)

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and public utility/minerals real estate	\$ 74,918,740	92.54	\$ 86,536,870	93.55
Commercial/industrial real estate	2,200,810	2.72	2,708,150	2.93
Public utility personal	3,034,700	3.75	2,979,040	3.22
Tangible personal property	<u>811,672</u>	<u>0.99</u>	<u>286,567</u>	<u>0.30</u>
Total	<u>\$ 80,965,922</u>	<u>100.00</u>	<u>\$ 92,510,627</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 45.60		\$ 45.30	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and loans. 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	\$ 2,229,773
Accounts	4,676
Intergovernmental	6,000
Loan	<u>4,307</u>
Total	<u>\$ 2,244,756</u>

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

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006 was as follows:

	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/06</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 273,697	\$ -	\$ -	\$ 273,697
Total capital assets, not being depreciated	<u>273,697</u>	<u>-</u>	<u>-</u>	<u>273,697</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	97,148	6,580	-	103,728
Buildings and improvements	23,404,876	-	-	23,404,876
Furniture and equipment	1,485,861	19,778	-	1,505,639
Vehicles	586,114	54,665	-	640,779
Total capital assets, being depreciated	<u>25,573,999</u>	<u>81,023</u>	<u>-</u>	<u>25,655,022</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(3,564)	(2,593)	-	(6,157)
Buildings and improvements	(888,436)	(585,810)	-	(1,474,246)
Furniture and equipment	(445,713)	(160,449)	-	(606,162)
Vehicles	(333,213)	(63,733)	-	(396,946)
Total accumulated depreciation	<u>(1,670,926)</u>	<u>(812,585)</u>	<u>-</u>	<u>(2,483,511)</u>
Governmental activities capital assets, net	<u>\$ 24,176,770</u>	<u>\$ (731,562)</u>	<u>\$ -</u>	<u>\$ 23,445,208</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 535,908
Special	44,175
<u>Support Services:</u>	
Administration	86,330
Pupil transportation	63,733
Food service operations	82,116
Extracurricular	<u>323</u>
Total depreciation expense	<u>\$ 812,585</u>

**MAPLEWOOD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the District entered into a capitalized lease for the acquisition of data processing and reproduction equipment. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital assets acquired by lease have been capitalized in the amount of \$54,809, which is equal to the present value of the future minimum lease payments at the date of inception. This amount represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2006 was \$49,328, leaving a current book value of \$5,481. A corresponding liability has been recorded in the governmental activities long-term obligations at June 30, 2006.

In the general fund, capital lease payments have been reclassified and are reflected as debt service expenditures. Principal and interest payments totaled \$22,876 and \$1,483, respectively, in the general fund during fiscal 2006. These expenditures are reflected as program/function expenditures on a budgetary basis.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2006.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 6,089
Total minimum lease payments	6,089
Less: amount representing interest	<u>(80)</u>
Present value of minimum lease payments	<u>\$ 6,009</u>

NOTE 10 - LEASE-PURCHASE AGREEMENT

On October 3, 2004 the District entered into a lease-purchase agreement with Fifth Third Bank for \$218,901 for fitness equipment. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal year 2006, the District made \$74,537 and \$2,144 in principal and interest payments, respectively. Principal and interest payments on the lease-purchase agreement are being made from the Permanent Improvements capital projects fund (a nonmajor governmental fund).

Capital assets acquired by lease-purchase agreement have been capitalized in the amount of \$218,901, which is equal to the present value of the future minimum lease payments at the date of inception. Accumulated depreciation as of June 30, 2006 was \$65,670, leaving a current book value of \$153,231. A corresponding liability has been recorded in the governmental activities long-term obligations at June 30, 2006.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 10 - LEASE-PURCHASE AGREEMENT - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 25,559
Total minimum lease payments	25,559
Less: amount representing interest	<u>(172)</u>
Present value of minimum lease payments	<u>\$ 25,387</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/06</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental Activities					
School facilities improvement - Series 2000 bonds:					
Current interest bonds	\$ 2,240,000	\$ -	\$ (1,650,000)	\$ 590,000	\$ 105,000
Capital appreciation bonds	188,935	-	-	188,935	-
Accreted interest on capital appreciation bonds	92,892	24,010	-	116,902	-
Refunding Bonds - Series 2006	-	1,545,000	-	1,545,000	-
Asbestos removal loan	23,985	-	(5,000)	18,985	5,000
Tax anticipation note	-	500,000	-	500,000	-
Capital lease obligation	28,885	-	(22,876)	6,009	6,009
Lease-purchase obligation	99,924	-	(74,537)	25,387	25,387
Early retirement incentive	-	72,000	-	72,000	72,000
Compensated absences	<u>805,619</u>	<u>149,846</u>	<u>(57,065)</u>	<u>898,400</u>	<u>171,893</u>
Total	<u>\$ 3,480,240</u>	<u>\$ 2,290,856</u>	<u>\$ (1,809,478)</u>	3,961,618	<u>\$ 385,289</u>
Less: Unamortized deferred charge on refunding				(106,150)	
Add: Unamortized premium on bond issuance				<u>169,617</u>	
Total on statement of net assets				<u>\$ 4,025,085</u>	

**MAPLEWOOD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

- B.** On July 11, 2000, the District issued \$2,793,935 in general obligation bonds (Series 2000, School Facilities Improvement Bonds), which represent the District's share of a construction and renovation project approved and significantly funded by the Ohio School Facilities Commission (OSFC). OSFC has awarded the District a \$12.5 million grant for the project, and will make quarterly disbursements to the District until the project is completed. These bonds are a general obligation of the District, for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for as a governmental activities long-term obligation. Payments of principal and interest relating to these bonds are recorded as expenditures in the Bond Retirement fund (a nonmajor governmental fund). The source of payment is derived from a current 4.398 (average) mill bonded debt tax levy.

This issue is comprised of current interest term bonds, par value \$1,550,000, current interest serial bonds, par value \$1,055,000, and capital appreciation bonds, par value \$540,000. The capital appreciation bonds mature each December 1, 2011 through 2014 (effective interest 8.471%, 8.523%, 8.523%, and 8.575% respectively), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of the issue date) reported on the statement of net assets at June 30, 2006 was \$188,935. Total accreted interest of \$116,902 has been included on the statement of net assets at June 30, 2005.

During fiscal year 2006, a \$100,000 principal payment was made and the current interest serial bonds and the current interest term bonds, par value \$1,550,000, were advance refunded. \$590,000 in current interest serial bonds remain a liability at June 30, 2006. The capital appreciation bonds were not refunded.

Principal and interest requirements to retire the Series 2000 school facilities improvement bonds outstanding at June 30, 2006, are as follows:

Fiscal Year Ending June 30,	Current interest bonds			Capital appreciation bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 105,000	\$ 117,700	\$ 222,700	\$ -	\$ -	\$ -
2008	110,000	112,297	222,297	-	-	-
2009	120,000	106,460	226,460	-	-	-
2010	125,000	100,181	225,181	-	-	-
2011	130,000	93,583	223,583	-	-	-
2012-2015	-	-	-	188,935	351,065	540,000
Total	<u>\$ 590,000</u>	<u>\$ 530,221</u>	<u>\$ 1,120,221</u>	<u>\$ 188,935</u>	<u>\$ 351,065</u>	<u>\$ 540,000</u>

**MAPLEWOOD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

- C. On June 6, 2006, the District issued Series 2006 general obligation refunding bonds to advance refund the callable portion of the Series 2000 current interest term bonds (principal \$1,550,000). Issuance proceeds totaling \$1,656,658 were deposited with an escrow agent and were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of current interest term bonds, par value \$1,545,000. These bonds are a general obligation of the District, for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for as a governmental activities long-term obligation. Payments of principal and interest relating to these bonds are recorded as expenditures in the Bond Retirement fund (a nonmajor governmental fund).

The reacquisition price exceeded the net carrying amount of the old debt by \$106,658. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 18 years and resulted in an economic gain of \$112,752.

The following is a summary of the future debt service requirements to maturity for the Series 2006 refunding bonds:

Fiscal Year Ending June 30,	Current interest bonds		
	Principal	Interest	Total
2007	\$ -	\$ 81,088	\$ 81,088
2008	-	82,230	82,230
2009	-	82,230	82,230
2010	-	82,230	82,230
2011	-	82,230	82,230
2012-2016	145,000	407,518	552,518
2017-2021	810,000	276,675	1,086,675
2022-2024	590,000	50,051	640,051
Total	\$ 1,545,000	\$ 1,144,252	\$ 2,689,252

**MAPLEWOOD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

- D.** In fiscal 1993, the District received a loan from the U.S. Environmental Protection Agency for an asbestos abatement project. The loan is interest free as long as the District remains current on repayment. This loan is a general obligation of the District for which the full faith and credit of the District are pledged for repayment. Principal payments are made from the Permanent Improvements capital projects fund (a nonmajor governmental fund). The following schedule describes the asbestos removal loan outstanding at June 30, 2006:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 06/30/05</u>	<u>Retired</u>	<u>Balance 06/30/06</u>
Asbestos removal	None	4/16/1993	5/13/2010	\$ 23,985	\$ (5,000)	\$ 18,985

The following is a summary of the District's future annual debt service requirements to maturity for the asbestos removal loan:

Fiscal Year Ending <u>June 30,</u>	<u>Asbestos Removal Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 5,000	\$ -	\$ 5,000
2008	5,000	-	5,000
2009	5,000	-	5,000
2010	<u>3,985</u>	<u>-</u>	<u>3,985</u>
Total	<u>\$ 18,985</u>	<u>\$ -</u>	<u>\$ 18,985</u>

- E.** On June 29, 2006, the District issued a long-term tax anticipation note, par value \$500,000, and bearing an interest rate of 5.00%. This note is a general obligation of the District for which the full faith and credit of the District are pledged for repayment. Principal and interest payments related to this note will be paid from the Bond Retirement fund (a nonmajor governmental fund). The following schedule describes the long-term tax anticipation note outstanding at June 30, 2006:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 06/30/05</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 06/30/06</u>
Tax anticipation note	5.00%	6/29/2006	12/1/2011	\$ -	\$500,000	\$ -	\$500,000

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the District's future annual debt service requirements to maturity for the tax anticipation note:

Fiscal Year Ending June 30,	Tax Anticipation Note		
	Principal	Interest	Total
2007	\$ -	\$ 23,056	\$ 23,056
2008	100,000	22,500	122,500
2009	100,000	17,500	117,500
2010	100,000	12,500	112,500
2011	100,000	7,500	107,500
2012	100,000	2,500	102,500
Total	<u>\$ 500,000</u>	<u>\$ 85,556</u>	<u>\$ 585,556</u>

F. 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, 2006 are a voted debt margin of \$6,081,407 and an unvoted debt margin of \$92,511.

NOTE 12 - NOTES PAYABLE

Short-term tax anticipation notes described below were issued in anticipation of tax revenue and were retired on May 22, 2006. The activity of the short-term tax anticipation notes are reported in the general fund, the fund which received the proceeds. These notes were backed by the full faith and credit of the District.

	Interest Rate	Issue Date	Balance 06/30/05	Issued	Retired	Balance 06/30/06
Tax anticipation notes	5.00%	11/22/05	\$ -	\$ 750,000	\$ (750,000)	\$ -

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, and general liability.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - RISK MANAGEMENT - (Continued)

Vehicle policies include liability coverage for bodily injury and property damage. The liability limits are \$1,000,000 for each accident, with a collision deductible of \$250.

Real property and contents are fully insured. Real property is 90% co-insured. Limits of insurance on real property and equipment are \$9,856,402 with a deductible of \$250.

The District liability policy has a limit of \$1,000,000 for each occurrence and \$3,000,000 aggregate.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2005.

B. Health Insurance

The District has joined together with other school districts in the state to form the Trumbull County School Insurance Consortium Association, a public entity risk pool currently operating as a common risk management and insurance program for 16 member school districts in Trumbull County. The District pays a monthly premium to Trumbull County School Insurance Consortium Association for its insurance coverage. It is intended that the Trumbull County School Insurance Consortium Association will be self-supporting through member premiums. The monthly premium includes a specific and aggregate stoploss premium paid to General American Insurance. The specific individual stoploss is \$100,000 per year. The aggregate stoploss is 105% of yearly anticipated claims.

The District provides health, dental, vision and life insurance coverage for employees. The health insurance coverage is administered by Medical Mutual of Ohio, a third party administrator. Core Source administers the dental and vision coverage. Medical Life Insurance Company provides the life insurance coverage. The District pays the insurance premiums, as a fringe benefit for most employees. Classified employees hired after July 1, 2002 are required to pay 20% of the monthly premiums.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 15. As such, no funding provisions are required by the District.

C. OSBA Workers' Compensation Group Rating

For fiscal year 2006, the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 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 Sheakley Uniserve provides administrative, cost control and actuarial services to the GRP.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (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. That 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 (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent 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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent 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 statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$105,360, \$113,888, and \$102,190; 40.35 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$62,845 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - PENSION PLANS - (Continued)

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.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent 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 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$513,964, \$524,831 and \$525,233; 82.80 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$88,378 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$3,235 made by the District and \$12,387 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System of Ohio. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's Liability is 6.2% of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$39,536 for fiscal year 2006.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$50,496 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent 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 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 were \$158.751 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221 percent of next years projected net health care costs of \$133.756 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 59,492 participants currently receiving health care benefits.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

**MAPLEWOOD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 16 - 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	\$ 600,365
Net adjustment for revenue accruals	13,724
Net adjustment for expenditure accruals	605,965
Net adjustment for other sources/uses	(768,252)
Adjustment for encumbrances	<u>59,539</u>
GAAP basis	<u>\$ 511,341</u>

NOTE 17 - 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.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 18 - 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, 2006, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2005	\$ 163,467	\$ (3,002,175)
Current year set-aside requirement	158,458	158,458
Qualifying disbursements	<u>(72,329)</u>	<u>(331,761)</u>
Total	<u>\$ 249,596</u>	<u>\$ (3,175,478)</u>
Cash balance carried forward to FY 2007	<u>\$ 249,596</u>	<u>\$ (3,175,478)</u>

A schedule of the restricted assets at June 30, 2006 follows:

Amounts restricted for instructional materials	\$ <u>249,596</u>
Total restricted assets	<u>\$ 249,596</u>

The District had qualifying expenditures during the year and an offset at the beginning of the year that reduced the set-aside amount below zero for the capital acquisition reserve. Because the District is involved in the Ohio School Facilities Commission project, this negative amount may be used to reduce the set-aside requirement for future years, and is therefore presented as being carried forward to the next fiscal year. The District did not have enough qualifying disbursements to reduce the set-aside amount below zero for the instructional materials, and thus the unspent amount is both restricted and reserved.

NOTE 19 - FISCAL CAUTION

- A.** The Superintendent of Public Instruction declared the District to be in a state of fiscal caution effective September 12, 2005.
- B.** Janet Ward resigned as Treasurer of the District effective March 15, 2006. The District hired Merri Smith to assume the position of Treasurer. Perry Nicholas was appointed Superintendent effective November 6, 2006.

SUPPLEMENTAL DATA

**MAPLEWOOD LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
(B) Food Donation	10.550	N/A	\$ -	\$ 27,063	\$ -	\$ 27,063
Nutrition Cluster:						
(A), (C) School Breakfast Program	10.553	050211-05PU-2005	2,199		2,199	
(A), (C) School Breakfast Program	10.553	050211-05PU-2006	20,100		20,100	
(A), (C) National School Lunch Program	10.555	050211-LLP4-2005	10,542		10,542	
(A), (C) National School Lunch Program	10.555	050211-LLP4-2006	77,135		77,135	
Total Nutrition Cluster			109,976		109,976	
Total U.S. Department of Agriculture			109,976	27,063	109,976	27,063
PASSED THROUGH THE U.S. DEPARTMENT OF EDUCATION:						
N/A						
Impact Aid	84.041	N/A	91,706		91,706	
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	050211-C1S1-2006	48,530		48,530	
Special Education - Grants to States	84.027	050211-6BSF-2005	-		8,834	
Special Education - Grants to States	84.027	050211-6BSF-2006	208,403		184,843	
Total Special Education			208,403		193,677	
Safe and Drug-Free Schools and Communities - State Grants	84.186	050211-DRS1-2006	3,470		3,470	
State Grants for Innovative Programs	84.298	050211-C2S1-2005	-		3,567	
State Grants for Innovative Programs	84.298	050211-C2S1-2006	2,896		2,887	
Total State Grants for Innovative Programs			2,896		6,454	
Education Technology State Grants	84.318	050211-TJS1-2006	883		883	
Improving Teacher Quality State Grants	84.367	050211-TRS1-2006	36,788		32,679	
Hurricane Education Recovery	84.938	050211-HR01-2006	6,000		6,000	
Total U.S. Department of Education			398,676		383,399	
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES PASSED THROUGH THE TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER:						
Medical Assistance Program	93.778	N/A	19,682		19,682	
Total U.S. Department of Health & Human Services			19,682		19,682	
Total Federal Financial Assistance			\$ 528,334	\$ 27,063	\$ 513,057	\$ 27,063

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) This schedule was prepared on the cash basis of accounting.



Julian & Grube, Inc.
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**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
Maplewood Local School District
2414 Greenville Road NE
Cortland, Ohio 44410

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Maplewood Local School District, Trumbull County, Ohio, as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 16, 2007. 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 Maplewood 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 material weaknesses. However, we noted certain matters that we reported to the management of Maplewood Local School District, in a separate letter dated March 16, 2007.

Board of Education
Maplewood Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maplewood 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated March 16, 2007.

This report is intended solely for the information and use of management, the Board of Education of Maplewood Local School District, Trumbull County, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Julian & Grube, Inc.
March 16, 2007



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to
Each Major Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133**

Board of Education
Maplewood Local School District
2414 Greenville Road NE
Cortland, Ohio 44410

Compliance

We have audited the compliance of Maplewood Local School District (the “District”), Trumbull County, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to each of its major federal programs for the fiscal year ended June 30, 2006. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District’s management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Maplewood Local School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Maplewood Local School District’s compliance with those requirements.

Board of Education
Maplewood Local School District

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2006.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over compliance that does not require inclusion in this report that we have reported to the District's management in a separate letter dated March 16, 2007.

This report is intended solely for the information and use of management, the Board of Education of Maplewood Local School District, Trumbull County, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
March 16, 2007

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs:	Special Education - Grants to States - CFDA #84.027 and Impact Aid CFDA #84.041
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2005-MLSD-001	ORC 5705.36 requires that fiscal officers certify to the county auditor the total amount available for expenditures from each fund.	Yes	N/A
2005-MLSD-002	ORC 5705.36 requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.	No	Partially Corrected. Finding now located in management letter.
2005-MLSD-003	ORC 5705.39 requires that total appropriations from each fund should not exceed estimated resources.	No	Partially Corrected. Finding now located in management letter.
2005-MLSD-004	ORC 5705.10 requires that money paid into any fund shall be expended only after such fund receives monies to cover the expenditures.	No	Partially Corrected. Finding now located in management letter.
2005-MLSD-005	ORC 5705.41(B) requires that no monies are to be spent unless it has been appropriated.	Yes	N/A



Mary Taylor, CPA
Auditor of State

MAPLEWOOD LOCAL SCHOOL DISTRICT

TRUMBULL 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
JUNE 7, 2007