

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2006*

MARY WORKMAN, TREASURER



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Mapleton Local School District, Ashland County, prepared by Julian and Grube, Inc., for the audit period July 1, 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 Mapleton Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 5, 2007

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mapleton Local School District, Ashland County, (the "District"), as of and for the fiscal year ended June 30, 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, each major fund, and the aggregate remaining fund information of Mapleton Local School District, Ashland County, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As noted in Note 3B, there has been a restatement of fund balances at July 1, 2005 due to errors and omissions.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis 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.
October 20, 2006

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

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

The management's discussion and analysis of the Mapleton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 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 the 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 \$646,102 which represents a 3.45% decrease from 2005.
- General revenues accounted for \$7,439,416 in revenue or 82.60% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,566,606 or 17.40% of total revenues of \$9,006,022.
- The District had \$9,652,124 in expenses related to governmental activities; only \$1,566,606 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,439,416 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund, and the permanent improvement fund. The general fund had \$7,533,838 in revenues and other financing sources and \$7,349,354 in expenditures. During fiscal year 2006, the general fund's fund balance increased \$184,484 from a deficit of \$139,743 to a balance of \$44,741.
- The debt service fund had \$345,655 in revenues and \$319,374 in expenditures. During fiscal year 2006, the debt service fund's fund balance increased \$26,281 from \$337,318 to \$363,599.
- The permanent improvement fund had \$222,182 in revenues and \$126,208 in expenditures. During fiscal year 2006, the permanent improvement fund's fund balance increased \$95,974 from a restated balance of \$213,946 to \$309,920

Using these Basic Financial Statements

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, debt service fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 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 major governmental funds are the general fund, debt service fund, and permanent improvement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

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

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

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

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-50 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

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

	Net Assets	
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Assets</u>		
Current and other assets	\$ 4,997,254	\$ 4,676,907
Capital assets	<u>20,495,297</u>	<u>21,448,077</u>
Total assets	<u>25,492,551</u>	<u>26,124,984</u>
<u>Liabilities</u>		
Current liabilities	3,341,399	3,246,660
Long-term liabilities	<u>4,090,380</u>	<u>4,171,450</u>
Total liabilities	<u>7,431,779</u>	<u>7,418,110</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	16,791,079	17,673,077
Restricted	1,145,030	1,182,015
Unrestricted (deficit)	<u>124,663</u>	<u>(148,218)</u>
Total net assets	<u>\$ 18,060,772</u>	<u>\$ 18,706,874</u>

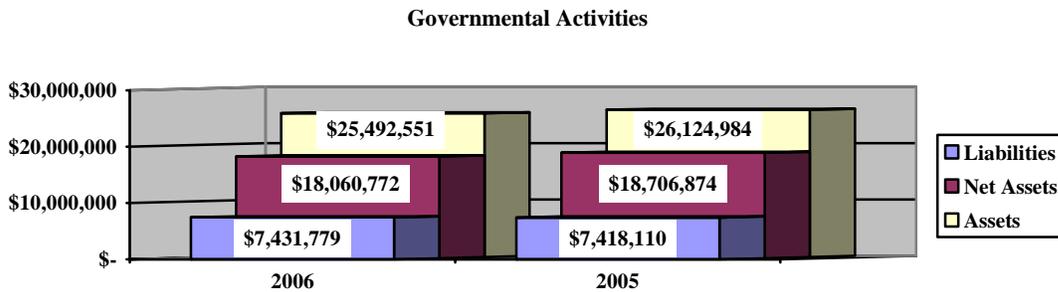
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$18,060,772. Of this total, \$124,663 is unrestricted in use.

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

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

At year-end, capital assets represented 80.40% 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 \$16,791,079. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,145,030, represents resources that are subject to external restriction on how they may be used. The table below illustrates the District's assets, liabilities and net assets at June 30, 2006 and 2005.



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

Change in Net Assets

	Governmental Activities 2006	Governmental Activities 2005
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,002,528	\$ 359,295
Operating grants and contributions	564,078	638,569
General revenues:		
Property taxes	2,648,599	2,683,416
Grants and entitlements	4,697,052	5,077,238
Grants restricted for Ohio Schools		
Facilities construction	-	245,500
Investment earnings	60,319	44,061
Other	33,446	37,569
Total revenues	<u>9,006,022</u>	<u>9,085,648</u>

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND 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	\$ 4,940,968	\$ 4,470,000
Special	566,288	594,179
Vocational	167,564	153,483
Other	138,522	148,566
Support services:		
Pupil	156,621	167,698
Instructional staff	330,468	287,652
Board of education	64,882	70,972
Administration	722,720	533,273
Fiscal	288,512	257,308
Business	-	9,914
Operations and maintenance	721,326	1,060,543
Pupil transportation	574,292	464,350
Central	43,030	29,009
Operations of non-instructional services	-	38,253
Food service operations	427,726	308,325
Extracurricular activities	314,132	283,081
Interest and fiscal charges	<u>195,073</u>	<u>195,466</u>
Total expenses	<u>9,652,124</u>	<u>9,072,072</u>
Change in net assets	(646,102)	13,576
Net assets at beginning of year	<u>18,706,874</u>	<u>18,693,298</u>
Net assets at end of year	<u>\$ 18,060,772</u>	<u>\$ 18,706,874</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$646,102. Total governmental expenses of \$9,652,124 were offset by program revenues of \$1,566,606 and general revenues of \$7,439,416. Program revenues supported 16.23% of the total governmental expenses.

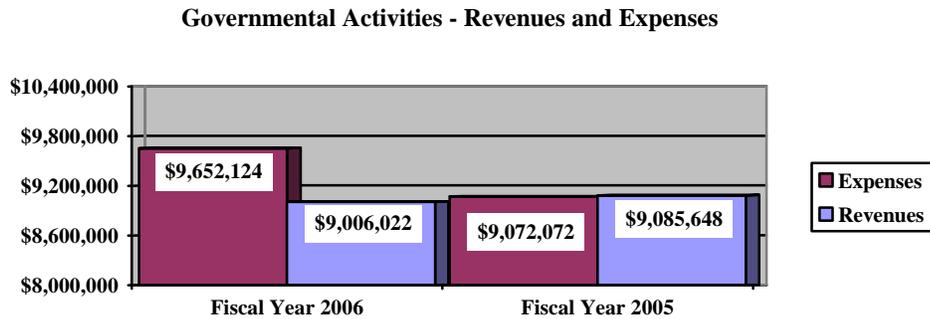
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 81.56% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,813,342 or 60.23% of total governmental expenses for fiscal 2006.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND 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 year 2006 and 2005.



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.

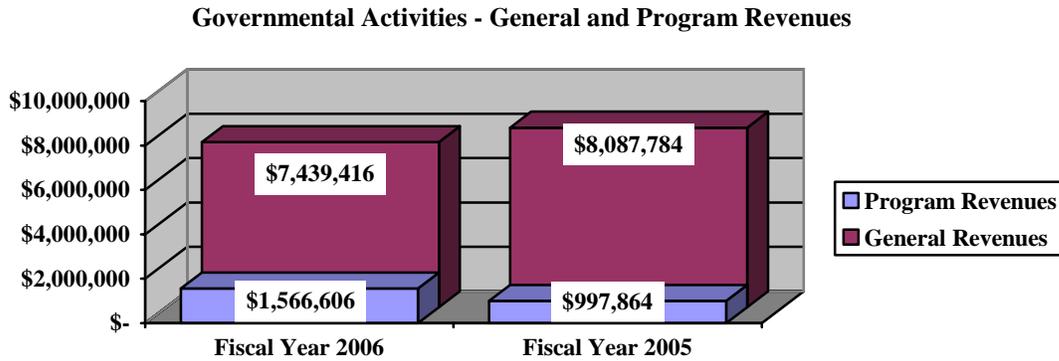
	Governmental Activities			
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Program expenses				
Instruction:				
Regular	\$ 4,940,968	\$ 4,195,294	\$ 4,470,000	\$ 4,319,917
Special	566,288	338,909	594,179	211,448
Vocational	167,564	167,564	153,483	150,783
Other	138,522	138,522	148,566	148,566
Support services:				
Pupil	156,621	156,621	167,698	167,698
Instructional staff	330,468	289,922	287,652	272,867
Board of education	64,882	64,882	70,972	70,972
Administration	722,720	722,720	533,273	528,273
Fiscal	288,512	288,512	257,308	257,308
Business	-	-	9,914	9,914
Operations and maintenance	721,326	721,326	1,060,543	1,055,666
Pupil transportation	574,292	552,186	464,350	451,075
Central	43,030	38,030	29,009	29,009
Operations of non-instructional services	-	-	38,253	38,253
Food service operations	427,726	62,114	308,325	(37,795)
Extracurricular activities	314,132	153,843	283,081	204,788
Interest and fiscal charges	195,073	195,073	195,466	195,466
Total expenses	\$ 9,652,124	\$ 8,085,518	\$ 9,072,072	\$ 8,074,208

The dependence upon tax and other general revenues for governmental activities is apparent, 83.26% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.77%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

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

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



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,201,723, which is greater than last year's restated total of \$1,026,508. The June 30, 2005 fund balances have been restated as described in Note 3.B. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance June 30, 2006	Restated Fund Balance (Deficit) June 30, 2005	Increase (Decrease)	Percentage Change
General	\$ 44,741	\$ (139,743)	\$ 184,484	132.02 %
Debt Service	363,599	337,318	26,281	7.79 %
Permanent Improvement	309,920	213,946	95,974	44.86 %
Other Governmental	<u>483,463</u>	<u>614,987</u>	<u>(131,524)</u>	(21.39) %
Total	<u>\$ 1,201,723</u>	<u>\$ 1,026,508</u>	<u>\$ 175,215</u>	17.07 %

General Fund

The District's general fund balance increased \$184,484. The increase in fund balance can be attributed to several items related to decreasing expenditures and increased revenues. Revenues exceed expenditures for fiscal year 2006 by \$119,148. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 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	\$ 2,090,136	\$ 2,179,071	\$ (88,935)	(4.08) %
Tuition	565,914	-	565,914	100.00 %
Earnings on investments	45,252	25,465	19,787	77.70 %
Intergovernmental	4,629,396	5,015,620	(386,224)	(7.70) %
Other revenues	<u>137,804</u>	<u>75,353</u>	<u>62,451</u>	82.88 %
Total	<u>\$ 7,468,502</u>	<u>\$ 7,295,509</u>	<u>\$ 172,993</u>	2.37 %
<u>Expenditures</u>				
Instruction	\$ 4,611,248	\$ 4,676,378	\$ (65,130)	(1.39) %
Support services	2,513,019	2,611,779	(98,760)	(3.78) %
Extracurricular activities	146,268	145,557	711	0.49 %
Capital outlay	65,336	-	65,336	100.00 %
Debt service	<u>13,483</u>	<u>4,271</u>	<u>9,212</u>	215.69 %
Total	<u>\$ 7,349,354</u>	<u>\$ 7,437,985</u>	<u>\$ (88,631)</u>	(1.19) %

Debt Service Fund

The debt service fund had \$345,655 in revenues and \$319,374 in expenditures. During fiscal year 2006, the debt service fund's fund balance increased \$26,281 from \$337,318 to \$363,599.

Permanent Improvement Fund

The permanent improvement fund had \$222,182 in revenues and \$126,208 in expenditures in 2006. The permanent improvement fund's fund balance increased \$95,974 from \$213,946 to \$309,920 (after a restatement to the June 30, 2005, fund balance which is detailed in Note 3.B. to the basic financial statements).

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 \$7,652,182 and final budgeted revenues and other financing sources were \$7,846,868. Actual revenues and other financing sources for fiscal 2006 was \$7,878,557. This represents a \$226,375 increase over original budgeted revenues.

General fund original appropriations (appropriated expenditures) of \$7,811,287 were increased to \$7,916,897 in the final appropriations. The actual budget basis expenditures for fiscal year 2006 totaled \$7,700,409, which was \$216,488 lower than the final budget appropriations.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND 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 \$20,495,297 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)**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$ 200,200	\$ 293,200
Land improvements	1,869,570	2,044,737
Building and improvements	17,354,168	17,942,140
Furniture and equipment	777,024	796,989
Vehicles	<u>294,335</u>	<u>371,011</u>
Total	<u>\$ 20,495,297</u>	<u>\$ 21,448,077</u>

The overall decrease in capital assets of \$952,780 is due to depreciation expense of \$949,380 and disposals of \$93,000 exceeding capital outlays of \$89,600 in the fiscal year.

See Note 7 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2006, the District had \$3,704,218 in bonds and capital lease obligations outstanding. Of this total, \$156,643 is due within one year and \$3,547,575 is due within greater than one year. The following table summarizes the bonds and capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	<u>2006</u>	<u>2005</u>
Classroom facilities bonds	\$ 3,645,000	\$ 3,775,000
Capital lease obligation	<u>59,218</u>	<u>-</u>
Total	<u>\$ 3,704,218</u>	<u>\$ 3,775,000</u>

At June 30, 2006, the District's overall legal debt margin was \$6,770,480, and an unvoted debt margin of \$111,688.

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

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

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

Current Financial Related Activities

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

From an operating perspective, the District has been struggling to meet its current financial obligations. Furthermore, the Board's five-year forecast indicates cash-flow problems will persist throughout the forecast period. Temporary cash shortfalls were experienced in fiscal 2005 and fiscal 2006, resulting in the District's borrowing \$250,000 in fiscal 2005 and \$350,000 in fiscal 2006, to meet current financial obligations such as payroll and health insurance premiums. The District used the proceeds from the March 2005 semi-annual real estate tax settlement to repay the debt in fiscal 2005 and advances received in February 2006 to repay the debt in fiscal 2006.

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

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

- Reduced supply budgets
- Portion of bus repairs moved to the permanent improvement fund
- Portion of educational service center contracts paid out of grants
- Reduced/eliminated 4 classified positions (2 positions are assumed to be brought back in fiscal year 2007)
- Health insurance moratorium for 1 month
- Increased pay-to-participate fees for winter and spring sports to cover the costs of coaches salaries and benefits

The Board of Education has placed a \$950,000 Emergency Levy on the August 2006 ballot. The Board may consider another levy in November 2006, if the issue fails in August. The District has a current operating expense levy that expires in tax year 2005. The Board may let this levy expire due to the District being at the 20 mill floor, the lowest millage amount a District can legally collect. The District could still place this issue on the November 2006 ballot.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Mary Workman, Treasurer, Mapleton Local School District, 635 Co. Rd. 801, Rt. 3, Ashland, Ohio 44805-9572.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,484,713
Cash with fiscal agent.	513,883
Cash with escrow agent	65,330
Cash in segregated accounts.	465
Receivables:	
Taxes	2,824,160
Intergovernmental	4,436
Accrued interest	16
Prepayments	52,108
Materials and supplies inventory	52,143
Capital assets:	
Land	200,200
Depreciable capital assets, net	20,295,097
Capital assets, net.	<u>20,495,297</u>
 Total assets.	 <u>25,492,551</u>
 Liabilities:	
Accounts payable.	25,525
Retainage payable	54,448
Accrued wages and benefits	735,312
Pension obligation payable.	157,729
Intergovernmental payable	37,149
Deferred revenue	2,126,619
Accrued interest payable	71,642
Claims payable	132,975
Long-term liabilities:	
Due within one year.	193,514
Due in more than one year	3,896,866
 Total liabilities	 <u>7,431,779</u>
 Net Assets:	
Invested in capital assets, net of related debt.	16,791,079
Restricted for:	
Capital projects	707,940
Debt service.	307,426
Classroom facilities maintenance	33,013
Locally funded programs	7,830
State funded programs	25,947
Federally funded programs	278
Student activities	30,157
Other purposes	32,439
Unrestricted	<u>124,663</u>
 Total net assets	 <u>\$ 18,060,772</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 4,940,968	\$ 612,431	\$ 133,243	\$ (4,195,294)
Special	566,288	-	227,379	(338,909)
Vocational	167,564	-	-	(167,564)
Other	138,522	-	-	(138,522)
Support services:				
Pupil	156,621	-	-	(156,621)
Instructional staff	330,468	-	40,546	(289,922)
Board of education	64,882	-	-	(64,882)
Administration	722,720	-	-	(722,720)
Fiscal	288,512	-	-	(288,512)
Operations and maintenance	721,326	-	-	(721,326)
Pupil transportation	574,292	14,628	7,478	(552,186)
Central	43,030	-	5,000	(38,030)
Operation of non-instructional services:				
Food service operations	427,726	215,180	150,432	(62,114)
Extracurricular activities	314,132	160,289	-	(153,843)
Interest and fiscal charges	195,073	-	-	(195,073)
Total governmental activities	\$ 9,652,124	\$ 1,002,528	\$ 564,078	(8,085,518)

General Revenues:

Property taxes levied for:	
General purposes	2,102,457
Special revenue	39,208
Debt service	308,312
Capital projects	198,622
Grants and entitlements not restricted	
to specific programs	4,697,052
Investment earnings	60,319
Miscellaneous	33,446
Total general revenues	7,439,416
Change in net assets	(646,102)
Net assets at beginning of year	18,706,874
Net assets at end of year	\$ 18,060,772

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 356,355	\$ 297,114	\$ 267,696	\$ 531,109	\$ 1,452,274
Cash in segregated accounts	-	-	-	465	465
Cash with escrow agent	10,882	-	-	54,448	65,330
Receivables:					
Taxes	2,238,600	331,811	212,211	41,538	2,824,160
Intergovernmental	-	-	-	4,436	4,436
Accrued interest	16	-	-	-	16
Prepayments	52,108	-	-	-	52,108
Materials and supplies inventory	39,066	-	-	13,077	52,143
Restricted assets:					
Equity in pooled cash and cash equivalents	32,439	-	-	-	32,439
Total assets	<u>\$ 2,729,466</u>	<u>\$ 628,925</u>	<u>\$ 479,907</u>	<u>\$ 645,073</u>	<u>\$ 4,483,371</u>
Liabilities:					
Accounts payable	\$ 21,203	\$ -	\$ 297	\$ 4,025	\$ 25,525
Retainage payable	-	-	-	54,448	54,448
Accrued wages and benefits	684,075	-	-	51,237	735,312
Compensated absences payable	13,204	-	-	-	13,204
Pension obligation payable	144,869	-	-	12,860	157,729
Intergovernmental payable	31,324	-	-	5,825	37,149
Deferred revenue	1,790,050	265,326	169,690	33,215	2,258,281
Total liabilities	<u>2,684,725</u>	<u>265,326</u>	<u>169,987</u>	<u>161,610</u>	<u>3,281,648</u>
Fund Balances:					
Reserved for encumbrances	16,637	-	87,537	6,909	111,083
Reserved for materials and supplies inventory	39,066	-	-	13,077	52,143
Reserved for prepayments	52,108	-	-	-	52,108
Reserved for property tax unavailable for appropriation	448,550	66,485	42,521	8,323	565,879
Reserved for debt service	-	297,114	-	-	297,114
Reserved for BWC refunds	32,439	-	-	-	32,439
Unreserved, undesignated (deficit), reported in:					
General fund	(544,059)	-	-	-	(544,059)
Special revenue funds	-	-	-	69,025	69,025
Capital projects funds	-	-	179,862	386,129	565,991
Total fund balances	<u>44,741</u>	<u>363,599</u>	<u>309,920</u>	<u>483,463</u>	<u>1,201,723</u>
Total liabilities and fund balances	<u>\$ 2,729,466</u>	<u>\$ 628,925</u>	<u>\$ 479,907</u>	<u>\$ 645,073</u>	<u>\$ 4,483,371</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Total governmental fund balances		\$ 1,201,723
<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.		20,495,297
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 131,662	
Total		131,662
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		380,908
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(71,642)
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	(372,958)	
Capital lease obligation	(59,218)	
General obligation bonds payable	(3,645,000)	
Total		(4,077,176)
Net assets of governmental activities		<u>\$ 18,060,772</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 2,090,136	\$ 306,617	\$ 198,489	\$ 38,717	\$ 2,633,959
Tuition.	565,914	-	-	-	565,914
Charges for services.	-	-	-	215,180	215,180
Earnings on investments.	45,252	-	-	15,067	60,319
Extracurricular.	79,895	-	-	83,630	163,525
Transportation fees	14,628	-	-	-	14,628
Classroom materials and fees.	36,035	-	-	-	36,035
Other local revenues.	7,246	-	-	33,446	40,692
Intergovernmental - Intermediate.	-	-	-	56,734	56,734
Intergovernmental - State.	4,629,396	39,038	23,693	35,007	4,727,134
Intergovernmental - Federal	-	-	-	489,700	489,700
Total revenue	<u>7,468,502</u>	<u>345,655</u>	<u>222,182</u>	<u>967,481</u>	<u>9,003,820</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,992,519	-	31,846	150,344	4,174,709
Special.	326,380	-	-	233,479	559,859
Vocational.	153,827	-	-	-	153,827
Other.	138,522	-	-	-	138,522
Support services:					
Pupil.	157,075	-	-	-	157,075
Instructional staff	296,309	-	-	36,385	332,694
Board of education	64,882	-	-	-	64,882
Administration.	589,610	-	280	-	589,890
Fiscal	262,849	-	5,252	-	268,101
Operations and maintenance.	691,606	-	14,252	123	705,981
Pupil transportation	410,683	-	69,658	6,873	487,214
Central.	40,005	-	-	3,025	43,030
Operation of non-instructional services:					
Food service operations	-	-	-	338,501	338,501
Extracurricular activities.	146,268	-	-	111,611	257,879
Capital outlay.	65,336	-	-	-	65,336
Facilities acquisition and construction	-	-	4,920	217,775	222,695
Debt service:					
Principal retirement	6,118	130,000	-	-	136,118
Interest and fiscal charges	7,365	189,374	-	889	197,628
Total expenditures	<u>7,349,354</u>	<u>319,374</u>	<u>126,208</u>	<u>1,099,005</u>	<u>8,893,941</u>
Excess of revenues over (under) expenditures	<u>119,148</u>	<u>26,281</u>	<u>95,974</u>	<u>(131,524)</u>	<u>109,879</u>
Other financing sources:					
Capital lease transactions.	<u>65,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,336</u>
Total other financing sources	<u>65,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,336</u>
Net change in fund balances	184,484	26,281	95,974	(131,524)	175,215
Fund balances (deficit)					
at beginning of year (restated).	<u>(139,743)</u>	<u>337,318</u>	<u>213,946</u>	<u>614,987</u>	<u>1,026,508</u>
Fund balances at end of year.	<u>\$ 44,741</u>	<u>\$ 363,599</u>	<u>\$ 309,920</u>	<u>\$ 483,463</u>	<u>\$ 1,201,723</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Net change in fund balances - total governmental funds	\$	175,215
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.</p>		
Capital asset additions	\$ 89,600	
Current year depreciation	<u>(949,380)</u>	
Total		(859,780)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.</p>		
		(93,000)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	14,640	
Intergovernmental	<u>(12,438)</u>	
Total		2,202
<p>Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.</p>		
		136,118
<p>Proceeds of capital lease transactions are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.</p>		
		(65,336)
<p>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.</p>		
		2,555
<p>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.</p>		
		10,288
<p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities.</p>		
		<u>45,636</u>
Change in net assets of governmental activities	\$	<u>(646,102)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 2,090,037	\$ 2,143,212	\$ 2,144,243	\$ 1,031
Tuition	551,873	565,914	565,914	-
Earnings on investments	44,859	46,000	45,236	(764)
Transportation	14,628	15,000	14,628	(372)
Classroom materials and fees	34,229	35,100	36,035	935
Extracurricular	78,015	80,000	79,895	(105)
Other local revenues	6,339	6,500	6,546	46
Intergovernmental - State	4,484,352	4,598,442	4,629,396	30,954
Total revenue	<u>7,304,332</u>	<u>7,490,168</u>	<u>7,521,893</u>	<u>31,725</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,159,852	6,243,134	4,008,644	2,234,490
Special	66,724	67,626	328,585	(260,959)
Vocational	120,812	122,445	173,317	(50,872)
Other	144,003	145,950	138,522	7,428
Support services:				
Pupil	101,816	103,193	155,094	(51,901)
Instructional staff	12,886	13,060	304,638	(291,578)
Board of education	102,799	104,189	91,306	12,883
Administration	31,180	31,602	579,533	(547,931)
Fiscal	86,409	87,577	255,930	(168,353)
Operations and maintenance	430,777	436,601	691,099	(254,498)
Pupil transportation	153,840	155,920	436,500	(280,580)
Central	50,714	51,400	40,602	10,798
Extracurricular activities	-	-	142,466	(142,466)
Debt service:				
Principal retirement	345,331	350,000	350,000	-
Interest and fiscal charges	4,144	4,200	4,173	27
Total expenditures	<u>7,811,287</u>	<u>7,916,897</u>	<u>7,700,409</u>	<u>216,488</u>
Excess of revenues under expenditures	<u>(506,955)</u>	<u>(426,729)</u>	<u>(178,516)</u>	<u>248,213</u>
Other financing sources:				
Refund of prior year expenditure	1,170	1,200	1,164	(36)
Sale of assets	683	700	700	-
Sale of notes	341,316	350,000	350,000	-
Advances in	4,681	4,800	4,800	-
Total other financing sources	<u>347,850</u>	<u>356,700</u>	<u>356,664</u>	<u>(36)</u>
Net change in fund balance	(159,105)	(70,029)	178,148	248,177
Fund balance at beginning of year	129,811	129,811	129,811	-
Prior year encumbrances appropriated	46,937	46,937	46,937	-
Fund balance at end of year	<u>\$ 17,643</u>	<u>\$ 106,719</u>	<u>\$ 354,896</u>	<u>\$ 248,177</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Cash with fiscal agent	\$ 513,883
Total assets	<u>513,883</u>
Liabilities:	
Claims payable	<u>132,975</u>
Total liabilities	<u>132,975</u>
Net assets:	
Unrestricted.	<u>380,908</u>
Total net assets	<u><u>\$ 380,908</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Governmental Activities - Internal Service Fund
Operating revenues:	
Sales/charges for services	\$ 1,141,111
Total operating revenues	<u>1,141,111</u>
Operating expenses:	
Claims expense	1,051,230
Purchased services.	43,873
Other.	<u>372</u>
Total operating expenses	<u>1,095,475</u>
Change in net assets.	45,636
Net assets at beginning of year	<u>335,272</u>
Net assets at end of year	<u><u>\$ 380,908</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from sales/charges for services	\$ 1,141,111
Cash payments for claims expense.	(978,607)
Cash payments for purchased services.	(43,873)
Cash payments for other expenses.	(372)
	118,259
Net cash provided by operating activities	118,259
Net increase in cash and cash equivalents	118,259
Cash and cash equivalents at beginning of year	395,624
Cash and cash equivalents at end of year	\$ 513,883
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 45,636
Changes in assets and liabilities:	
Increase in claims payable	72,623
Net cash provided by operating activities.	\$ 118,259

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 1,500	\$ 47,969
Total assets.	1,500	\$ 47,969
Liabilities:		
Accounts payable.	-	\$ 4,097
Due to students	-	43,872
Total liabilities	-	\$ 47,969
Net Assets:		
Held in trust for scholarships	1,500	
Total net assets	\$ 1,500	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 1,000
Total additions.	1,000
Deductions:	
Scholarships awarded	1,500
Change in net assets	(500)
Net assets at beginning of year.	2,000
Net assets at end of year	\$ 1,500

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is the 474th largest in the State of Ohio (out of approximately 615 public and community school districts) in terms of enrollment. It is staffed by 41 non-certificated employees and 75 certificated full-time teaching personnel who provide services to 1,035 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Midland Council of Governments

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

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

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

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

PROPRIETARY FUND

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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.

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

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

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

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

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

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

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

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

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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.

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

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

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

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 Ashland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 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.

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

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

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

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust fund. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$45,252, which includes \$34,543 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

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

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

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

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

I. Compensated Absences

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

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

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

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

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

The 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.

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

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

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Fund Balance Reserves

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

L. Operating Revenues and Expenses

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

M. Net Assets

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2006, net assets restricted by enabling legislation was \$0 in the statement of net assets.

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND 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. Prepayments

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

O. Estimates

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

P. Restricted Assets

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

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. There are no outstanding interfund transactions at June 30, 2006.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

NOTE 3 - ACCOUNTABILITY & COMPLIANCE

A. Changes 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.

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

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

NOTE 3 - ACCOUNTABILITY & COMPLIANCE - (Continued)

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. Restatement of Fund Balance - Governmental Activities

The fund balance of the permanent improvement fund, and other nonmajor governmental funds have been restated at June 30, 2005 to account for locally funded initiative expenditures from a previous year in the proper fund. This adjustment had no effect on the beginning balance of net assets.

The adjustments had the following effect on fund balance of the governmental activities as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance					
as previously reported	\$ (139,743)	\$ 337,318	\$ 769,066	\$ 59,867	\$ 1,026,508
Adjustment to correct errors	-	-	(555,120)	555,120	-
Restated fund balance as of July 1, 2005	<u>\$ (139,743)</u>	<u>\$ 337,318</u>	<u>\$ 213,946</u>	<u>\$ 614,987</u>	<u>\$ 1,026,508</u>

C. Deficit Fund Balances

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

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Poverty Based Assistance	\$ 12
Title VI-B	28,218
Title I	498
Improving Teacher Quality	291

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

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

NOTE 3 - ACCOUNTABILITY & COMPLIANCE - (Continued)

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.

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.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

A. Cash with Fiscal Agent

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposits, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2006, was \$513,883.

B. Cash with Escrow Agent

At fiscal year-end, \$10,882 was on deposit in the District's escrow account with Tri-County Educational Service Center and \$54,448 on deposit with the District's escrow agent for retainage relating to construction contracts. These amounts are included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the financial statements as "Equity in Pooled Cash and Cash Equivalents".

C. Cash in Segregated Accounts

The District's athletic department maintains two checking accounts to pay individuals for officiating at sporting events as well as other miscellaneous expenses. These accounts are held in the name of the District, but are not maintained on the District's books. The combined total of these checking accounts in the amount of \$465 have been reported as "Cash in Segregated Accounts" in the financial statements and are included in the total amount of deposits reported below.

D. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$250,013. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$247,009 of the District's bank balance of \$347,009 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

E. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	<u>\$ 1,349,964</u>	<u>\$ 1,349,964</u>

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	<u>\$ 1,349,964</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 250,013
Investments	1,349,964
Cash with fiscal agent	<u>513,883</u>
Total	<u>\$ 2,113,860</u>

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 2,064,391
Private-purpose trust funds	1,500
Agency funds	<u>47,969</u>
Total	<u>\$ 2,113,860</u>

NOTE 5 - 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.

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 December 31, 2004, 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, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Ashland and Lorain Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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.

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

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

NOTE 5 - PROPERTY TAXES - (Continued)

The amount available as an advance at June 30, 2006 was \$448,550 in the general fund, \$66,485 in the Debt Service fund, \$42,521 in the Permanent Improvement fund and \$8,323 in the Classroom Facilities fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2005 was \$502,657 in the general fund, \$75,250 in the Debt Service fund, \$51,343 in the Permanent Improvement fund and \$9,854 in the Classroom Facilities fund.

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 other real estate	\$ 93,556,710	90.55	\$ 102,723,100	91.97
Public utility personal	7,222,480	6.99	6,439,900	5.77
Tangible personal property	<u>2,545,977</u>	<u>2.46</u>	<u>2,524,571</u>	<u>2.26</u>
Total	<u>\$ 103,325,167</u>	<u>100.00</u>	<u>\$ 111,687,571</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$ 41.10		\$ 41.10	
Debt retirement	3.80		3.70	
Permanent improvement	4.00		4.00	

NOTE 6 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Taxes	2,824,160
Intergovernmental	4,436
Accrued interest	<u>16</u>
Total	<u>\$ 2,828,612</u>

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

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

NOTE 7 - CAPITAL ASSETS

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

	Balance			Balance
	<u>June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2006</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 293,200	\$ -	\$ (93,000)	\$ 200,200
Total capital assets, not being depreciated	<u>293,200</u>	<u>-</u>	<u>(93,000)</u>	<u>200,200</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,414,931	-	-	2,414,931
Buildings and improvements	18,781,425	-	-	18,781,425
Furniture and equipment	945,243	89,600	-	1,034,843
Vehicles	<u>911,127</u>	<u>-</u>	<u>-</u>	<u>911,127</u>
Total capital assets, being depreciated	<u>23,052,726</u>	<u>89,600</u>	<u>-</u>	<u>23,142,326</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(370,194)	(175,167)	-	(545,361)
Buildings and improvements	(839,285)	(587,972)	-	(1,427,257)
Furniture and equipment	(148,254)	(109,565)	-	(257,819)
Vehicles	<u>(540,116)</u>	<u>(76,676)</u>	<u>-</u>	<u>(616,792)</u>
Total accumulated depreciation	<u>(1,897,849)</u>	<u>(949,380)</u>	<u>-</u>	<u>(2,847,229)</u>
Governmental activities capital assets, net	<u>\$ 21,448,077</u>	<u>\$ (859,780)</u>	<u>\$ (93,000)</u>	<u>\$ 20,495,297</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 581,970
Special	6,240
Vocational	11,891

Support Services:

Administration	114,323
Operations and maintenance	20,160
Fiscal	15,599
Pupil transportation	76,676
Extracurricular activities	46,528
Food service operations	<u>75,993</u>
Total depreciation expense	<u>\$ 949,380</u>

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

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

NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURE

During the year, the District entered into a capitalized lease for the acquisition of copiers. The 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 at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reflected as function expenditures on the budgetary statements. Capital assets consisting of copier equipment have been capitalized in the amount of \$65,336. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government-wide financial statements. Principal payments in fiscal year 2006 totaled \$6,118 paid by the general fund. Accumulated depreciation as of June 30, 2006 was \$6,534 leaving a current book value of \$58,802.

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

<u>Fiscal Year Ending</u>	<u>Payments</u>
2007	\$ 15,960
2008	15,960
2009	15,960
2010	15,960
2011	<u>6,650</u>
Total minimum lease payment	70,490
Less: amount representing interest	<u>(11,272)</u>
Present value of minimum lease payments	<u>\$ 59,218</u>

NOTE 9 - LONG-TERM OBLIGATIONS

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

	<u>Balance Outstanding June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding June 30, 2006</u>	<u>Amounts Due in One Year</u>
Governmental Activities:					
Classroom Facilities Improvement					
Bonds, 3.4%-5.7%, 4/1/04-12/1/19	\$ 3,775,000	\$ -	\$ (130,000)	\$ 3,645,000	\$ 145,000
Capital lease obligation	-	65,336	(6,118)	59,218	11,643
Compensated absences	<u>396,450</u>	<u>38,916</u>	<u>(49,204)</u>	<u>386,162</u>	<u>36,871</u>
Total long-term obligations, governmental activities	<u>\$ 4,171,450</u>	<u>\$ 104,252</u>	<u>\$ (185,322)</u>	<u>\$ 4,090,380</u>	<u>\$ 193,514</u>

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

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

- B.** Principal and interest requirements to retire the classroom facilities improvements bonds outstanding at June 30, 2006 are as follows:

<u>Year Ending June 30</u>	<u>Principal on Bonds</u>	<u>Interest on Bonds</u>	<u>Total</u>
2007	\$ 145,000	\$ 179,945	\$ 324,945
2008	155,000	174,145	329,145
2009	170,000	167,790	337,790
2010	185,000	160,650	345,650
2011	200,000	152,603	352,603
2012 - 2016	1,305,000	594,653	1,899,653
2017 - 2020	<u>1,485,000</u>	<u>189,199</u>	<u>1,674,199</u>
Total	<u>\$ 3,645,000</u>	<u>\$ 1,618,985</u>	<u>\$ 5,263,985</u>

C. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$6,770,480 (including available funds of \$363,599) and an unvoted debt margin of \$111,688.

NOTE 10 - NOTES PAYABLE

The District's notes payable activity for the fiscal year ended June 30, 2006 was as follows:

	<u>Rate</u>	<u>Balance at 6/30/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2006</u>
Tax Anticipation Note	2.95%	\$ -	\$ 350,000	\$ (350,000)	\$ -

On January 13, 2006, the District received \$350,000 in proceeds from current revenue notes. The notes bore an interest rate of 4.25%. The proceeds were used to meet payroll demands. The note was repaid on May 1, 2006. Principal payments and interest payments were \$350,000 and \$4,173.

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

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

NOTE 11 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees working eleven or twelve months per year are entitled to an annual vacation, with pay, based on length of service in the District. Accumulated unused vacation time is paid to employees upon termination of employment. Teachers and administrators working fewer than ten months per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated for an unlimited number of days. For certified and classified employees, payment is made at retirement for accumulated sick leave and is determined by taking one-fourth of the unused balance to a maximum of 46 days.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

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

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	SORSA		
Each occurrence		\$ 3,000,000	\$ 0
Aggregate		5,000,000	0
Property/building and contents	SORSA	24,912,298	1,000
Fleet:			
Comprehensive	SORSA	Included in property	250
Collision		Included in property	250
Umbrella liability	SORSA	2,000,000	0

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

The Professional Liability Educators Errors and Omissions is subject to a \$5,000 deductible.

B. Fidelity Bond

The Board President and Superintendent have a \$20,000 position bond. The Treasurer is covered under a surety bond in the amount of \$20,000. All other school employees who are responsible for handling funds are covered on the SORSA policy up to \$50,000 subject to a \$1,000 deductible.

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

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2006, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

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

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

The District has elected to provide employee medical, prescription, and dental benefits through a self-insurance program. The District maintains a self-insurance fund through their fiscal agent, Ohio Mid Eastern Regional Service Agency (OME-RESA), to account for and finance its uninsured risk of loss in this program. This plan provides a medical plan with a \$200.00 family and \$100.00 single deductible and a dental plan with a \$50.00 family and \$25.00 single deductible. A third party administrator, Self-Funded Plans, Inc., reviews all medical and dental claims which are then paid by the District. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$150,000. A stop-loss internal pooling insurance contract with OME-RESA covers specific liability claims between \$35,000 and \$150,000.

The District pays to the self-insurance fund a premium based on one of five benefit option combinations selected by the employee. Employees are responsible for a portion of this premium based on job classification and length of workday as outlined in their negotiated agreement. Premiums for medical coverage are \$1,076.74 per month for each employee with family coverage and \$488.64 per month for each employee with individual coverage. The premium for dental coverage is \$50.32 monthly for each employee with family or individual coverage. The premium for life insurance is \$3.10 monthly for each \$20,000 in coverage. The premium for vision coverage is \$13.55 per month for each employee with family coverage and \$6.07 per month for each employee with individual coverage. All premiums are paid by the fund that pays the salary for the employee. The claims liability of \$132,975 reported in the internal service fund at June 30, 2006 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

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

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

NOTE 12 - RISK MANAGEMENT - (Continued)

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2006	\$ 60,352	\$ 1,051,230	\$ (978,607)	\$ 132,975
2005	57,853	820,973	(818,474)	60,352

NOTE 13 - 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 \$88,637, \$91,537, and \$77,669; 45.54 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$48,268 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.

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

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

NOTE 13 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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.

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 \$478,872, \$470,656 and \$450,946; 84.17 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$75,823, represents the unpaid contribution for fiscal year 2006. Contributions to the DC and Combined Plans for fiscal year 2006 were \$1,085 made by the District and \$7,999 made by Plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/ STRS. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

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

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$36,836 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 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 1.13 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 \$34,921 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 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 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 58,123 participants currently receiving health care benefits.

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (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	\$ 178,148
Net adjustment for revenue accruals	(53,391)
Net adjustment for expenditure accruals	317,157
Net adjustment for other sources/uses	(291,328)
Adjustment for encumbrances	33,898
GAAP basis	\$ 184,484

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

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2005	\$ (495,029)	\$ (3,832,811)	\$ 32,439
Current year set-aside requirement	152,612	152,612	-
Current year offset	-	(207,311)	-
Qualifying disbursements	<u>(191,626)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (534,043)</u>	<u>\$ (3,887,510)</u>	<u>\$ 32,439</u>
Cash balance carried forward to FY 2007	<u>\$ (534,043)</u>	<u>\$ (3,832,811)</u>	<u>\$ -</u>

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

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

Amounts restricted for BWC refunds \$ 32,439

SUPPLEMENTAL DATA

MAPLETON 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	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A) (C) Food Donation	10.550	N/A	\$ -	\$ 41,085	\$ -	\$ 41,085
Total Food Donation			<u>-</u>	<u>41,085</u>	<u>-</u>	<u>41,085</u>
(A) (D) National School Lunch Program	10.555	045831-LLP4-2005	29,496	-	29,496	-
(A) (D) National School Lunch Program	10.555	045831-LLP4-2006	90,172	-	90,172	-
Total National School Lunch Program			<u>119,668</u>	<u>-</u>	<u>119,668</u>	<u>-</u>
Total U.S. Department of Agriculture and Nutrition Cluster			<u>119,668</u>	<u>41,085</u>	<u>119,668</u>	<u>41,085</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
Title I Grants to Local Educational Agencies	84.010	045831-C1S1-2006	94,619		94,619	
Total Title I Grants to Local Educational Agencies			<u>94,619</u>		<u>94,619</u>	
Special Education_Grants to States	84.027	045831-6BSD-2005	-		46,241	
Special Education_Grants to States	84.027	045831-6BSF-2006	199,043		197,160	
Total Special Education _Grants to States			<u>199,043</u>		<u>243,401</u>	
Safe and Drug-Free Schools and Communities_State Grants	84.186	045831-DRS1-2006	459		-	
Total Safe and Drug-Free Schools and Communities_State Grants			<u>459</u>		<u>-</u>	
State Grants for Innovative Programs	84.298	045831-C2S1-2006	278		-	
Total State Grants for Innovative Programs			<u>278</u>		<u>-</u>	
Education Technology State Grants	84.318	045831-TJS1-2005	-		355	
Education Technology State Grants	84.318	045831-TJS1-2006	598		598	
Total Educational Technology State Grants			<u>598</u>		<u>953</u>	
Improving Teacher Quality State Grants	84.367	045831-TRS1-2006	46,664		46,664	
Total Improving Teacher Quality State Grants			<u>46,664</u>		<u>46,664</u>	
Total U.S. Department of Education			<u>341,661</u>		<u>385,638</u>	
Total Federal Financial Assistance			<u>\$ 461,329</u>	<u>\$ 41,085</u>	<u>\$ 505,306</u>	<u>\$ 41,085</u>

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



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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
Mapleton Local School District
2 Mountie Drive
Ashland, Ohio 44805

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mapleton Local School District as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 20, 2006. As noted in Note 3B, there has been a restatement of fund balances at July 1, 2005 due to errors and omissions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Board of Education
Mapleton Local School District

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board and management of Mapleton Local School District, 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.
October 20, 2006



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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 of Its
Major Programs and on Internal Control Over
Compliance in Accordance With *OMB Circular A-133***

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

Compliance

We have audited the compliance of Mapleton Local School District (the "District"), Ashland 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 Crestline Exempted Village 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 Mapleton Local School District's compliance with those requirements.

Board of Education
Mapleton 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.

This report is intended solely for the information and use of management, the Board of Education of Mapleton Local School District, Ashland 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.
October 20, 2006

**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND 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 Improving Teacher Quality State Grants CFDA #84.367
<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

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

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

**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

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2005-CEVSD-001	Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed the total estimated resources.	Yes	Partially Corrected; moved to Management Letter



Mary Taylor, CPA
Auditor of State

MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 15, 2007