

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2005*

MERRI SMITH, TREASURER



Mary Taylor, CPA
Auditor of State

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

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 11, 2007

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

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2007, on our consideration of the District's internal control over financial reporting and on 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.

Independent Auditor's Report
Maplewood Local School District
Page 2

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.

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

Julian & Grube, Inc.
March 16, 2007

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

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

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

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities decreased \$1,291,859 which represents a 5.95% decrease from 2004.
- General revenues accounted for \$7,864,866 in revenue or 89.47% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$925,722 or 10.53% of total revenues of \$8,790,588.
- The District had \$10,082,447 in expenses related to governmental activities; \$925,722 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,864,866 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and Bond Retirement fund. The general fund had \$7,529,108 in revenues and other financing sources and \$8,252,966 in expenditures and other financing uses. During fiscal year 2005, the general fund's fund deficit increased \$723,858 from \$221,081 (as restated) to \$944,939.
- The District's Bond Retirement fund had \$233,581 in revenues and \$225,971 in expenditures. During fiscal year 2005, the Bond Retirement fund's fund balance increased \$7,610 from \$97,931 to \$105,541.

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 and bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-49 of this report.

The District as a Whole

The table below provides a summary of the District's net assets for 2005 and 2004.

	Net Assets	
	Governmental Activities 2005	Governmental Activities 2004
<u>Assets</u>		
Current and other assets	\$ 2,772,564	\$ 3,628,091
Capital assets, net	<u>24,176,770</u>	<u>24,871,225</u>
Total assets	<u>26,949,334</u>	<u>28,499,316</u>
<u>Liabilities</u>		
Current liabilities	3,063,265	3,212,008
Long-term liabilities	<u>3,480,240</u>	<u>3,589,620</u>
Total liabilities	<u>6,543,505</u>	<u>6,801,628</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	21,595,041	22,096,216
Restricted	546,880	687,737
Unrestricted (deficit)	<u>(1,736,092)</u>	<u>(1,086,265)</u>
Total net assets	<u>\$ 20,405,829</u>	<u>\$ 21,697,688</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$20,405,829. Of this total, \$546,880 is restricted in use.

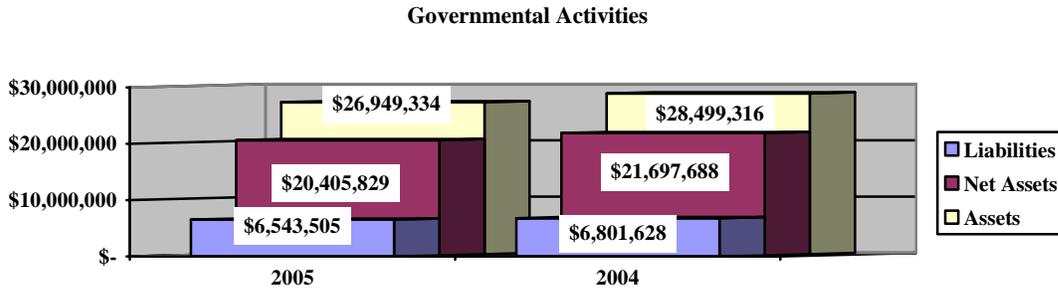
At year-end, capital assets represented 89.71% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$21,595,041. These capital assets are used 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, \$546,880, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$1,736,092.

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

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

The graph below shows the Districts assets, liabilities, and net assets as reported on the government-wide statement of net assets for June 30, 2005 and 2004:



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

	Change in Net Assets	
	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 448,723	\$ 403,763
Operating grants and contributions	456,670	386,818
Capital grants and contributions	20,329	46,484
General revenues:		
Property taxes	2,126,192	2,116,457
Grants and entitlements	5,601,183	5,418,292
Investment earnings	14,122	21,067
Other	<u>123,369</u>	<u>139,632</u>
 Total revenues	 <u>8,790,588</u>	 <u>8,532,513</u>

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

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

Change in Net Assets

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,017,211	\$ 4,653,872
Special	752,448	753,044
Vocational	40,159	-
Adult	2,750	2,313
Other	-	1,179
Support services:		
Pupil	403,959	376,396
Instructional staff	222,100	241,888
Board of education	37,548	26,008
Administration	720,736	713,519
Fiscal	215,097	250,618
Business	41,351	40,138
Operations and maintenance	1,084,944	1,207,409
Pupil transportation	521,339	455,105
Central	175,254	158,879
Operations of non-instructional services:		
Food service operations	395,055	346,872
Other non-instructional services	29,961	44,864
Extracurricular activities	261,046	258,674
Interest and fiscal charges	<u>161,489</u>	<u>161,405</u>
Total expenses	<u>10,082,447</u>	<u>9,692,183</u>
Change in net assets	(1,291,859)	(1,159,670)
Net assets at beginning of year	<u>21,697,688</u>	<u>22,857,358</u>
Net assets at end of year	<u>\$ 20,405,829</u>	<u>\$ 21,697,688</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$1,291,859. Total governmental expenses of \$10,082,447 were offset by program revenues of \$925,722 and general revenues of \$7,864,866. Program revenues supported 9.18% 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 87.91% of total governmental revenue.

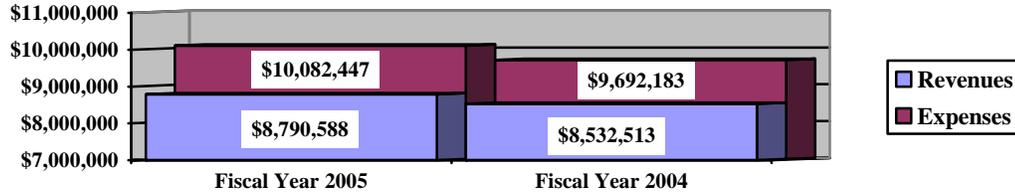
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,812,568 or 57.65% of total governmental expenses for fiscal 2005.

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

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

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

Governmental Activities - Revenues and Expenses



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

Governmental Activities

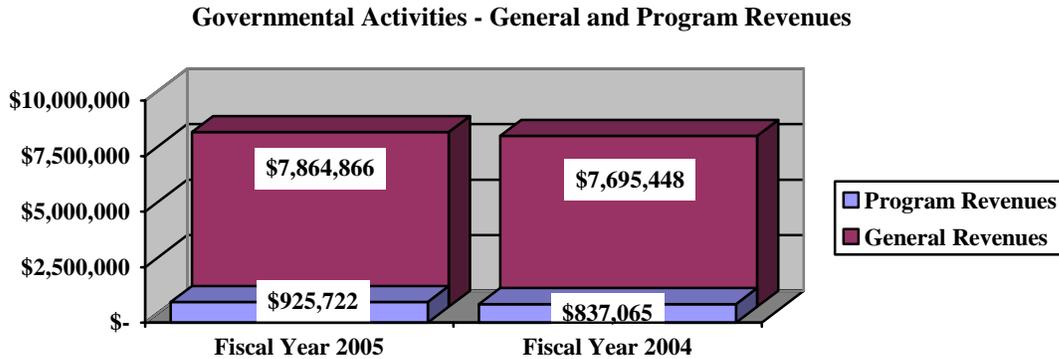
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses				
Instruction:				
Regular	\$ 5,017,211	\$ 4,785,791	\$ 4,653,872	\$ 4,435,050
Special	752,448	588,989	753,044	652,368
Vocational	40,159	40,159	-	-
Adult	2,750	2,750	2,313	2,313
Other	-	-	1,179	1,179
Support services:				
Pupil	403,959	403,959	376,396	376,396
Instructional staff	222,100	133,170	241,888	131,940
Board of education	37,548	37,548	26,008	26,008
Administration	720,736	703,754	713,519	677,683
Fiscal	215,097	215,097	250,618	250,618
Business	41,351	41,351	40,138	40,138
Operations and maintenance	1,084,944	1,064,615	1,207,409	1,203,219
Pupil transportation	521,339	511,819	455,105	448,266
Central	175,254	166,254	158,879	149,879
Operations of non-instructional services:				
Food service operations	395,055	80,449	346,872	74,361
Other non-instructional services	29,961	29,961	44,864	43,647
Extracurricular activities	261,046	189,570	258,674	180,648
Interest and fiscal charges	161,489	161,489	161,405	161,405
Total expenses	\$ 10,082,447	\$ 9,156,725	\$ 9,692,183	\$ 8,855,118

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

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

The dependence upon tax and other general revenues for governmental activities is apparent, 93.21% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 90.82%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund deficit balance of \$457,579, which is less than last year's total fund balance of \$245,564. The June 30, 2004 fund (deficits) balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance (Deficit) <u>June 30, 2005</u>	Restated Fund Balance (Deficit) <u>June 30, 2004</u>	Increase (Decrease)	Percentage Change
General	\$ (500,754)	\$ (221,081)	\$ (279,673)	(126.50) %
Bond Retirement	(338,644)	97,931	(436,575)	(445.80) %
Other Governmental	<u>381,819</u>	<u>368,714</u>	<u>13,105</u>	3.55 %
Total	<u>\$ (457,579)</u>	<u>\$ 245,564</u>	<u>\$ (703,143)</u>	(286.34) %

General Fund

The District's general fund deficit increased \$723,858. The increase was due to revenues and other financing uses of \$7,529,108 not being adequate to cover expenditures and other financing uses of \$8,252,966.

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

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

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2005 <u>Amount</u>	Restated 2004 <u>Amount</u>	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 1,708,665	\$ 1,713,770	\$ (5,105)	(0.30) %
Earnings on investments	12,410	15,197	(2,787)	(18.34) %
Intergovernmental	5,569,811	5,391,096	178,715	3.32 %
Other revenues	<u>236,699</u>	<u>212,072</u>	<u>24,627</u>	11.61 %
 Total	 <u>\$ 7,527,585</u>	 <u>\$ 7,332,135</u>	 <u>\$ 195,450</u>	 2.67 %
<u>Expenditures</u>				
Instruction	\$ 4,844,916	\$ 4,741,222	\$ 103,694	2.19 %
Support services	3,125,042	3,221,991	(96,949)	(3.01) %
Non-instructional services	29,961	43,647	(13,686)	(31.36) %
Extracurricular activities	162,553	148,194	14,359	9.69 %
Debt service	<u>28,545</u>	<u>24,360</u>	<u>4,185</u>	17.18 %
 Total	 <u>\$ 8,191,017</u>	 <u>\$ 8,179,414</u>	 <u>\$ 11,603</u>	 0.14 %

The largest revenue increase was in the area of intergovernmental revenue which increased \$178,715 over prior year. The largest expenditures items, instructional and support services activities, increased only \$6,745 over the prior year.

Bond Retirement Fund

The District's Bond Retirement fund had \$233,581 in revenues and \$225,971 in expenditures. The bond retirement fund's fund balance increased from \$97,931 to \$105,541 primarily due to revenues exceeding debt service requirements.

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 fiscal year 2005, the District did not obtain Certificates of Estimated Resources from the Trumbull County Auditor. As a result, original and final estimated resources only include the beginning unencumbered cash balances. Actual revenues and other financing sources for fiscal 2005 was \$7,991,722.

General fund original appropriations (appropriated expenditures including other financing uses) of \$8,667,590 were decreased to \$8,279,936 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$8,749,103 which was \$469,167 higher than the final budget appropriations.

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

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$24,176,770 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

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

	Governmental Activities	
	2005	2004
Land	\$ 273,697	\$ 273,697
Land improvements	93,584	89,704
Building and improvements	22,516,440	23,063,350
Furniture and equipment	1,040,148	1,187,279
Vehicles	252,901	257,195
 Total	 \$ 24,176,770	 \$ 24,871,225

The overall decrease in capital assets of \$694,455 is due to depreciation expense of \$802,117 exceeding capital outlays of \$107,662 in the fiscal year.

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

Debt Administration

At June 30, 2005, the District had \$2,521,827 in general obligation bonds, \$23,985 in a asbestos removal loan, \$28,885 in a capital lease obligation and \$99,924 in lease-purchase obligation outstanding. Of this total, \$202,413 is due within one year and \$2,472,208 is due within greater than one year. The following table summarizes the bonds, loans and leases outstanding.

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	2005	2004
General obligation bonds	\$ 2,521,827	\$ 2,594,699
Asbestos removal loan	23,985	28,985
Lease-purchase obligation	99,924	172,081
Capital lease obligation	28,885	50,008
 Total	 \$ 2,674,621	 \$ 2,845,773

At June 30, 2005, the District's overall legal debt margin was \$4,857,998 and an unvoted debt margin of \$80,966.

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

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

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

Current Financial Related Activities

The District, through careful financial management, has provided a quality, effective education for its students without requesting additional operating tax levies since 1989. Through prudent, cautious allocation of resources and additional funds provided through both Equity and Parity Aid, the District has continued its academic improvement according to both the State's report card and the District's goals.

Enrollment remains fairly constant over the years, providing a stable planning base. The District reorganized from two K-6th grade buildings and one 7-12th grade building to a K-4 elementary school, 5-8 middle school, and 9-12 high school format. This permits a more focused educational program for our students.

The District's Board of Education five-year projections predict a nominal cash balance at the end of FY2005 and indicate that the District will require additional levy millage shortly. Both certified and classified contracts expire in 2006, having been extended by both groups for one year to help the District during its financial difficulty. Salary or benefit increases would play a major role in the timing of any new request for additional millage. Other factors involve the recent completion of Ohio School Facilities Commission project and its increased operating costs.

There are several significant legislative and judicial actions that may impact the District. In March 1997, the Ohio Supreme Court ruled that the State of Ohio was operating an unconstitutional educational system, providing neither an "adequate" nor "equitable" funding system as defined by the Ohio Constitution.

Changes to the State's School Foundation formula continue to erode revenue to the District, causing state revenue to flat-line or even decline slightly overall. Increases in property tax revenues that do occur are offset by decreases in state foundation payments due to charge offs.

Property reappraisal will take effect with 2006 tax collections. Significant increases in property valuations are expected.

Maplewood must seek additional sources of revenue in the very near future to offset both the increases in its operating costs and the decreases in its other revenue items.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Merri Smith, Treasurer, Maplewood Local School District, 2414 Greenville Road NE, Cortland, Ohio 44410.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 467,273
Receivables:	
Taxes	2,256,042
Accounts	974
Intergovernmental	26,016
Prepayments	9,023
Materials and supplies inventory	13,236
Capital assets:	
Land	273,697
Depreciable capital assets, net	23,903,073
Capital assets, net.	<u>24,176,770</u>
 Total assets.	 <u>26,949,334</u>
 Liabilities:	
Accounts payable.	51,151
Accrued wages and benefits	713,695
Pension obligation payable.	201,530
Intergovernmental payable	10,605
Deferred revenue	2,076,192
Accrued interest payable	10,092
Long-term liabilities:	
Due within one year.	233,039
Due in more than one year	3,247,201
Total liabilities	<u>6,543,505</u>
 Net Assets:	
Invested in capital assets, net of related debt.	21,595,041
Restricted for:	
Capital projects	276,849
Debt service.	112,318
Classroom facilities maintenance.	134,872
State funded programs.	13,587
Federally funded programs.	3,567
Student activities.	5,687
Unrestricted (deficit).	<u>(1,736,092)</u>
Total net assets	<u><u>\$ 20,405,829</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 5,017,211	\$ 165,092	\$ 66,328	\$ -	\$ (4,785,791)
Special	752,448	-	163,459	-	(588,989)
Vocational	40,159	-	-	-	(40,159)
Adult	2,750	-	-	-	(2,750)
Support services:					
Pupil.	403,959	-	-	-	(403,959)
Instructional staff	222,100	-	88,930	-	(133,170)
Board of education	37,548	-	-	-	(37,548)
Administration.	720,736	-	16,982	-	(703,754)
Fiscal.	215,097	-	-	-	(215,097)
Business.	41,351	-	-	-	(41,351)
Operations and maintenance	1,084,944	-	-	20,329	(1,064,615)
Pupil transportation.	521,339	9,520	-	-	(511,819)
Central	175,254	-	9,000	-	(166,254)
Operation of non-instructional services:					
Food service operations	395,055	202,635	111,971	-	(80,449)
Other non-instructional services	29,961	-	-	-	(29,961)
Extracurricular activities.	261,046	71,476	-	-	(189,570)
Interest and fiscal charges	161,489	-	-	-	(161,489)
Total governmental activities	\$ 10,082,447	\$ 448,723	\$ 456,670	\$ 20,329	(9,156,725)

General Revenues:

Property taxes levied for:

General purposes	1,728,888
Special revenue	32,764
Debt service.	209,140
Capital projects	155,400
Grants and entitlements not restricted	
to specific programs.	5,601,183
Investment earnings	14,122
Miscellaneous	123,369
Total general revenues.	7,864,866
Change in net assets	(1,291,859)
Net assets at beginning of year.	21,697,688
Net assets at end of year	\$ 20,405,829

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ -	\$ 7,366	\$ 459,907	\$ 467,273
Receivables:				
Taxes.	1,831,092	226,297	198,653	2,256,042
Accounts	128	-	846	974
Intergovernmental	18,056	-	7,960	26,016
Advances to other funds.	21,904	-	-	21,904
Due from other funds.	-	97,004	-	97,004
Prepayments	9,023	-	-	9,023
Materials and supplies inventory	4,374	-	8,862	13,236
Total assets	<u>\$ 1,884,577</u>	<u>\$ 330,667</u>	<u>\$ 676,228</u>	<u>\$ 2,891,472</u>
Liabilities:				
Accounts payable	\$ 43,770	\$ -	\$ 7,381	\$ 51,151
Accrued wages and benefits	669,906	-	43,789	713,695
Compensated absences payable	2,877	-	-	2,877
Pension obligation payable.	184,304	-	17,226	201,530
Intergovernmental payable.	10,038	-	567	10,605
Due to other funds.	97,004	-	-	97,004
Advances from other funds.	-	-	21,904	21,904
Deferred revenue.	1,821,617	225,126	203,542	2,250,285
Total liabilities	<u>2,829,516</u>	<u>225,126</u>	<u>294,409</u>	<u>3,349,051</u>
Fund Balances:				
Reserved for encumbrances	26,746	-	114,154	140,900
Reserved for materials and supplies inventory.	4,374	-	8,862	13,236
Reserved for prepayments	9,023	-	-	9,023
Reserved for debt service.	-	104,370	-	104,370
Reserved for property tax unavailable for appropriation	9,475	1,171	1,028	11,674
Reserved for advances.	21,904	-	-	21,904
Unreserved, undesignated (deficit), reported in:				
General fund	(1,016,461)	-	-	(1,016,461)
Special revenue funds.	-	-	89,148	89,148
Capital projects funds.	-	-	168,627	168,627
Total fund balances (deficit).	<u>(944,939)</u>	<u>105,541</u>	<u>381,819</u>	<u>(457,579)</u>
Total liabilities and fund balances	<u>\$ 1,884,577</u>	<u>\$ 330,667</u>	<u>\$ 676,228</u>	<u>\$ 2,891,472</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Total governmental fund balances (deficit)		\$ (457,579)
<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.		24,176,770
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 168,176	
Intergovernmental revenue	<u>5,917</u>	
Total		174,093
Accrued interest payable is not due and payable in the current period and is therefore not reported in the funds.		(10,092)
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	802,742	
Asbestos removal loan	23,985	
Capital lease obligation	28,885	
Lease-purchase obligation	99,924	
General obligation bonds	<u>2,521,827</u>	
Total		<u>(3,477,363)</u>
Net assets of governmental activities		<u><u>\$ 20,405,829</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 1,708,665	\$ 206,453	\$ 185,734	\$ 2,100,852
Tuition.	125,103	-	-	125,103
Transportation fees.	9,520	-	-	9,520
Earnings on investments.	12,410	-	1,712	14,122
Charges for services.	-	-	202,635	202,635
Extracurricular.	-	-	71,476	71,476
Classroom materials and fees.	15,514	-	22,456	37,970
Other local revenues.	86,562	-	37,303	123,865
Intergovernmental - State.	5,499,124	27,128	75,247	5,601,499
Intergovernmental - Federal	70,687	-	400,079	470,766
Total revenue	<u>7,527,585</u>	<u>233,581</u>	<u>996,642</u>	<u>8,757,808</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,323,581	-	79,961	4,403,542
Special.	478,426	-	217,162	695,588
Vocational.	40,159	-	-	40,159
Adult.	2,750	-	-	2,750
Support services:				
Pupil.	403,425	-	-	403,425
Instructional staff	137,503	-	82,421	219,924
Board of education	37,548	-	-	37,548
Administration.	624,908	-	12,157	637,065
Fiscal	198,110	3,369	3,346	204,825
Business	40,999	-	-	40,999
Operations and maintenance.	1,062,779	-	20,118	1,082,897
Pupil transportation	464,665	-	53,167	517,832
Central.	155,105	-	9,000	164,105
Operation of non-instructional services:				
Food service operations	-	-	313,235	313,235
Other non-instructional services.	29,961	-	-	29,961
Extracurricular activities.	162,553	-	102,135	264,688
Facilities acquisition and construction	-	-	71,103	71,103
Debt service:				
Principal retirement	21,123	95,000	77,157	193,280
Interest and fiscal charges	7,422	127,602	4,524	139,548
Total expenditures	<u>8,191,017</u>	<u>225,971</u>	<u>1,045,486</u>	<u>9,462,474</u>
Excess of revenues over (under) expenditures	<u>(663,432)</u>	<u>7,610</u>	<u>(48,844)</u>	<u>(704,666)</u>
Other financing sources (uses):				
Transfers in	-	-	61,949	61,949
Transfers (out).	(61,949)	-	-	(61,949)
Sale of assets.	1,523	-	-	1,523
Total other financing sources (uses)	<u>(60,426)</u>	<u>-</u>	<u>61,949</u>	<u>1,523</u>
Net change in fund balances	(723,858)	7,610	13,105	(703,143)
Fund balances (deficit) at beginning of year (restated)				
	(221,081)	97,931	368,714	245,564
Fund balances (deficit) at end of year.	<u>\$ (944,939)</u>	<u>\$ 105,541</u>	<u>\$ 381,819</u>	<u>\$ (457,579)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Net change in fund balances - total governmental funds \$ (703,143)

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

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

Capital outlay	\$	107,662	
Depreciation expense		(802,117)	
Total			(694,455)

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

Taxes		25,340	
Intergovernmental		5,917	
Total			31,257

Repayment of bond, asbestos loan, capital lease and lease-purchase obligation principal is an expenditure in the governmental funds, but the repayments reduces long-term liabilities on the statement of net assets.

193,280

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.

Accrued interest payable		187	
Accreted interest		(22,128)	
Total			(21,941)

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.

(96,857)

Change in net assets of governmental activities **\$ (1,291,859)**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<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	\$ -	\$ -	\$ 1,708,144	\$ 1,708,144
Tuition.	-	-	110,907	110,907
Transportation fees.	-	-	9,520	9,520
Earnings on investments.	-	-	12,410	12,410
Classroom materials and fees	-	-	18,296	18,296
Other local revenues	-	-	68,623	68,623
Intergovernmental - State	-	-	5,495,264	5,495,264
Intergovernmental - Federal.	-	-	70,687	70,687
Total revenue	<u>-</u>	<u>-</u>	<u>7,493,851</u>	<u>7,493,851</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,504,140	4,273,832	4,268,666	5,166
Special.	511,109	491,793	495,494	(3,701)
Vocational.	35,001	33,678	33,931	(253)
Adult/continuing.	2,836	2,729	2,750	(21)
Support services:				
Pupil.	423,153	407,161	410,225	(3,064)
Instructional staff	136,502	131,343	132,331	(988)
Board of education	40,436	38,908	39,201	(293)
Administration.	668,000	642,755	647,592	(4,837)
Fiscal	244,507	235,267	237,038	(1,771)
Business	65,816	63,329	63,806	(477)
Operations and maintenance.	1,132,230	1,089,440	1,097,638	(8,198)
Pupil transportation	475,733	457,754	461,199	(3,445)
Central.	160,647	154,576	155,739	(1,163)
Operation of non-instructional services	30,901	29,733	29,957	(224)
Extracurricular activities.	172,678	166,152	167,402	(1,250)
Debt service:				
Principal retirement	-	-	440,000	(440,000)
Interest and fiscal charges	-	-	4,185	(4,185)
Total expenditures	<u>8,603,689</u>	<u>8,218,450</u>	<u>8,687,154</u>	<u>(468,704)</u>
Excess of revenues over (under) expenditures.	<u>(8,603,689)</u>	<u>(8,218,450)</u>	<u>(1,193,303)</u>	<u>7,025,147</u>
Other financing sources (uses):				
Refund of prior year expenditure.	-	-	21,702	21,702
Transfers (out)	(63,901)	(61,486)	(61,949)	(463)
Advances in.	-	-	34,646	34,646
Issuance of notes.	-	-	440,000	440,000
Sale of assets.	-	-	1,523	1,523
Total other financing sources (uses)	<u>(63,901)</u>	<u>(61,486)</u>	<u>435,922</u>	<u>497,408</u>
Net change in fund balance	(8,667,590)	(8,279,936)	(757,381)	7,522,555
Fund balance at beginning of year.	552,810	552,810	552,810	-
Prior year encumbrances appropriated	37,051	37,051	37,051	-
Fund balance at end of year	<u>\$ (8,077,729)</u>	<u>\$ (7,690,075)</u>	<u>\$ (167,520)</u>	<u>\$ 7,522,555</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 36,586
Receivables:	
Accounts	20
Total assets.	\$ 36,606
Liabilities:	
Accounts payable.	462
Intergovernmental payable	200
Due to students	35,944
Total liabilities	\$ 36,606

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District is the 473rd largest by enrollment among the 613 public school districts in the state. It currently operates one elementary school, one middle school, and one high school. The District is staffed by 55 non-certified and 73 certificated personnel to provide services to approximately 1,085 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Management Information Network (NEOMIN)

NEOMIN is a jointly governed organization among 28 school districts and 2 county educational service centers. NEOMIN was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions among member districts. Each of the governments of these schools supports NEOMIN based upon a per pupil charge, dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contribution. NEOMIN is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, as amended by GASB Statement No. 39, the District does not have any equity interest in NEOMIN because a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information is available from Ms. Lori Simione, Treasurer for the Trumbull County Educational Service Center, at 6000 Youngstown Warren Rd., Niles, Ohio 44446.

Trumbull Career and Technical Center

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

North East Ohio Instructional Media Center (NEOIMC)

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

North East Ohio Special Education Regional Resource Center (NEO/SERRC)

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

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

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

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

Region 12 Professional Development Center (Center)

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

Bond Retirement Fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and note principal, interest and related costs.

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; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

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 proprietary funds.

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

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

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

FIDUCIARY FUNDS

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

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

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

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 (except agency funds). The specific timetable for fiscal year 2005 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Trumbull 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 District did not obtain a Certificate of Estimated Resources during fiscal year 2005; therefore, no amounts appear as original or final budgeted revenues in the budgetary statements.
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.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2005, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

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

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

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.

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

F. Cash and Investments

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

During fiscal year 2005, the District had no investments.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$12,410, which includes \$5,198 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.

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

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2005, the District maintained a capitalization threshold of \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

I. Interfund Balances

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

On fund financial statements, receivables and payables resulting from the coverage of deficit cash balances are reported as "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

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

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

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

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

L. Fund Balance Reserves

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

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

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

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

M. Net Assets

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

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

N. Prepayments

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

O. Estimates

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

P. Interfund Activity

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

Q. Extraordinary and Special Items

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

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

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ (160,500)	\$ 97,931	\$ 380,955	\$ 318,386
GASB Technical Bulletin No. 2004-2	<u>(60,581)</u>	<u>-</u>	<u>(12,241)</u>	<u>(72,822)</u>
Restated Fund Balance, June 30, 2004	<u>\$ (221,081)</u>	<u>\$ 97,931</u>	<u>\$ 368,714</u>	<u>\$ 245,564</u>

B. Deficit Fund Balances

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

	<u>Deficit</u>
<u>Major Fund</u>	
General	\$ 944,939
<u>Nonmajor Funds</u>	
Food Service	20,311
Management Information Systems	8
DPIA	9
Title VI-B	3,745
Title I	41,688
Reducing Class Size	44
Emergency Building Repair	750

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

These funds, except for the general fund, complied with Ohio State law, which does not permit a cash basis deficit at year-end. The general fund had a negative cash basis deficit at fiscal year-end (see Note 3.C). The deficit fund balances in the remaining funds resulted from adjustments for accrued liabilities.

C. Compliance

- i. The District had a negative cash basis fund balance in the general fund at June 30, 2005, in the amount of \$97,004, indicating that revenue from other sources were used to pay obligations of this fund contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, the negative cash balance has been reported as a fund liability.
- ii. Contrary to Ohio Revised Code Section 5705.39, the District had appropriations in excess of estimated resources for the fiscal year ended June 30, 2005 in the following funds:

<u>Major Funds</u>	<u>Excess</u>
General Fund (001, 016, and 022)	\$7,690,075
Bond Retirement (fund 002)	573,317
<u>Nonmajor Funds</u>	
Food Service (006)	289,876
Scholarship (007)	600
Uniform School Supplies (009)	22,586
Public School Support (018)	33,471
Other Grants (019)	4,567
Athletics (300)	40,493
EMIS (432)	5,000
DPIA (447)	10,282
One Net (451)	9,000
School Net (452)	3,061
Summer Intervention (460)	12,909
Title VI-B (516)	189,894
Title I (fund 572)	121,195
Title VI (fund 573)	13,757
Safe Drug Free Schools (584)	3,699
Title II-A (590)	50,044
Title II-D (599)	1,955
Permanent Improvement (003)	211,876
Student Activities (200)	74,419

- iii. Contrary to Ohio Revised Code Section 5705.41(B), the District had expenditures exceeding appropriations in the following fund:

<u>Major Fund</u>	<u>Excess</u>
General Fund (001, 016, 022)	\$ 469,167

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$503,859. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$368,422 of the District's bank balance of \$508,197 was exposed to custodial risk as discussed below, while \$139,775 was covered by Federal Deposit Insurance Corporation.

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

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

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

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 503,859
Total	<u>\$ 503,859</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 467,273
Agency fund	<u>36,586</u>
Total	<u>\$ 503,859</u>

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

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

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances consist of the following long-term advances to/from other funds, as reported on the fund financial statements at June 30, 2005:

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

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

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

- B. Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

<u>Transfers to Nonmajor Governmental funds from:</u>	
General Fund	\$ 61,949

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

- C. Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

Interfund balances for the year ended June 30, 2005, consisted of the following amounts due to/from other funds, as reported on the fund financial statements:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 97,004
Bond Retirement	<u>97,004</u>	<u>-</u>
Total	<u>\$ 97,004</u>	<u>\$ 97,004</u>

The primary purpose of due to/from other funds is to cover a negative cash balance in the general fund. Due to/from other funds are eliminated between governmental funds for reporting on the statement of net assets.

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien January 1, 2004, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of January 1, 2004. Tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory.

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

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

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

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

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

NOTE 6 - PROPERTY TAXES - (Continued)

Available tax advances at June 30, 2005 totaled \$9,475 in the general fund, \$1,171 in the Bond Retirement fund, \$848 in the Permanent Improvements capital projects fund (a nonmajor governmental fund), and \$180 in the Classroom Facilities Maintenance special revenue fund (a nonmajor governmental fund). Available tax advances at June 30, 2004 totaled \$8,954 in the general fund, \$1,092 in the Bond Retirement fund, \$788 in the Permanent Improvements capital projects fund (a nonmajor governmental fund), and \$165 in the Classroom Facilities Maintenance special revenue fund (a nonmajor governmental 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 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and public utility/minerals real estate	\$ 73,627,640	91.82	\$ 74,918,740	92.53
Commercial/industrial real estate	2,082,920	2.60	2,200,810	2.72
Public utility personal	3,414,720	4.26	3,034,700	3.75
Tangible personal property	<u>1,063,147</u>	<u>1.32</u>	<u>811,672</u>	<u>1.00</u>
Total	<u><u>\$ 80,188,427</u></u>	<u><u>100.00</u></u>	<u><u>\$ 80,965,922</u></u>	<u><u>100.00</u></u>
 Tax rate per \$1,000 of assessed valuation	 \$ 45.80		 \$ 45.60	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), 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	\$ 2,256,042
Accounts	974
Intergovernmental	<u>26,016</u>
Total	<u><u>\$ 2,283,032</u></u>

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

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

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

NOTE 8 - CAPITAL ASSETS

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

	<u>Balance 06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/05</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 273,697	\$ -	\$ -	\$ 273,697
Total capital assets, not being depreciated	<u>273,697</u>	<u>-</u>	<u>-</u>	<u>273,697</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	90,839	6,309	-	97,148
Buildings and improvements	23,367,136	37,740	-	23,404,876
Furniture and equipment	1,475,415	10,446	-	1,485,861
Vehicles	532,947	53,167	-	586,114
Total capital assets, being depreciated	<u>25,466,337</u>	<u>107,662</u>	<u>-</u>	<u>25,573,999</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,135)	(2,429)	-	(3,564)
Buildings and improvements	(303,786)	(584,650)	-	(888,436)
Furniture and equipment	(288,136)	(157,577)	-	(445,713)
Vehicles	(275,752)	(57,461)	-	(333,213)
Total accumulated depreciation	<u>(868,809)</u>	<u>(802,117)</u>	<u>-</u>	<u>(1,670,926)</u>
Governmental activities capital assets, net	<u>\$ 24,871,225</u>	<u>\$ (694,455)</u>	<u>\$ -</u>	<u>\$ 24,176,770</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 532,782
Special	44,175
<u>Support Services:</u>	
Administration	86,330
Pupil transportation	57,461
<u>Operation of non-instructional services</u>	
Food service operations	81,211
Extracurricular activities	<u>158</u>
Total depreciation expense	<u>\$ 802,117</u>

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

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

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the District entered into a capitalized lease for the acquisition of data processing and reproduction equipment. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital assets acquired by the lease have been capitalized in the amount of \$54,809, which is equal to the present value of the future minimum lease payments at the date of inception. Accumulated depreciation as of June 30, 2005 was \$38,366, leaving a current book value of \$16,443. A corresponding liability has been recorded in the governmental activities long-term obligations at June 30, 2005.

In the general fund, capital lease payments have been reclassified and are reflected as debt service expenditures. Principal and interest payments were \$21,123 and \$7,422, respectively, in the general fund during fiscal 2005. These expenditures are reflected as program/function expenditures on a budgetary basis.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 24,360
2007	<u>6,089</u>
Total minimum lease payments	30,449
Less: amount representing interest	<u>(1,564)</u>
Present value of minimum lease payments	<u>\$ 28,885</u>

NOTE 10 - LEASE-PURCHASE AGREEMENT

On October 3, 2003 the District entered into a lease-purchase agreement with Fifth Third Bank for \$218,901 for fitness equipment. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal year 2005, the District made \$72,157 and \$4,524 in principal and interest payments, respectively. Principal and interest payments on the lease-purchase agreement are being made from the Permanent Improvements capital projects fund (a nonmajor governmental fund).

Capital assets acquired by the lease-purchase agreement have been capitalized in the amount of \$218,901, which is equal to the present value of the future minimum lease payments at the date of inception. Accumulated depreciation as of June 30, 2005 was \$21,890, leaving a current book value of \$197,011. A corresponding liability has been recorded in the governmental activities long-term obligations at June 30, 2005.

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

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

NOTE 10 - LEASE-PURCHASE AGREEMENT - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 76,681
2007	<u>25,559</u>
Total minimum lease payments	102,240
Less: amount representing interest	<u>(2,316)</u>
Present value of minimum lease payments	<u>\$ 99,924</u>

NOTE 11 - LONG-TERM OBLIGATIONS

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

This issue is comprised of current interest term bonds, par value \$1,550,000, current interest serial bonds, par value \$1,055,000, and capital appreciation bonds, par value \$540,000. The capital appreciation bonds mature each December 1, 2011 through 2014 (effective interest 8.471%, 8.523%, 8.523%, and 8.575% respectively), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of the issue date) reported on the statement of net assets at June 30, 2005 was \$188,935. Total accreted interest of \$92,892 has been included on the statement of net assets at June 30, 2005.

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

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of general obligation bond activity for fiscal year 2005:

	Interest Rate	Issue Date	Maturity Date	Balance Outstanding 06/30/04	Additions	Reductions	Balance Outstanding 06/30/05	Amounts Due in One Year
Governmental Activities:								
School facilities improvement:								
Current interest	5.744%	7/11/00	12/01/23	\$ 2,335,000	\$ -	\$ (95,000)	\$ 2,240,000	\$ 100,000
Capital appreciation bonds	8.471-8.575%	7/11/00	12/01/11-14	188,935	-	-	188,935	-
Accreted interest on capital appreciation bonds				70,764	22,128	-	92,892	-
Total G.O. bonds payable				<u>\$ 2,594,699</u>	<u>\$ 22,128</u>	<u>\$ (95,000)</u>	<u>\$ 2,521,827</u>	<u>\$ 100,000</u>

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005 are as follows:

Fiscal Year Ending June 30,	Current interest bonds			Capital appreciation bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 100,000	\$ 122,800	\$ 222,800	\$ -	\$ -	\$ -
2007	105,000	117,700	222,700	-	-	-
2008	110,000	112,297	222,297	-	-	-
2009	120,000	106,460	226,460	-	-	-
2010	125,000	100,181	225,181	-	-	-
2011-2015	130,000	454,393	584,393	188,935	351,065	540,000
2016-2020	765,000	345,019	1,110,019	-	-	-
2021-2024	785,000	95,163	880,163	-	-	-
Total	<u>\$ 2,240,000</u>	<u>\$ 1,454,013</u>	<u>\$ 3,694,013</u>	<u>\$ 188,935</u>	<u>\$ 351,065</u>	<u>\$ 540,000</u>

- B.** In fiscal 1993, the District received a loan from the U.S. Environmental Protection Agency for an asbestos abatement project. The loan is interest free as long as the District remains current on repayment. This loan is a general obligation of the District for which the full faith and credit of the District are pledged for repayment. Principal payments are made from the Permanent Improvements capital projects fund (a nonmajor governmental fund). The following schedule describes the asbestos removal loan outstanding at June 30, 2005:

Purpose	Interest Rate	Issue Date	Maturity Date	Balance 06/30/2004	Retired	Balance 06/30/2005
Asbestos removal	None	4/16/1993	5/13/2010	<u>\$ 28,985</u>	<u>\$ (5,000)</u>	<u>\$ 23,985</u>

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

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30.	Asbestos Removal Loan		
	Principal	Interest	Total
2006	\$ 5,000	\$ -	\$ 5,000
2007	5,000	-	5,000
2008	5,000	-	5,000
2009	5,000	-	5,000
2010	3,985	-	3,985
Total	\$ 23,985	\$ -	\$ 23,985

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

	Balance 06/30/2004	Additions	Reductions	Balance 06/30/2005	Amounts Due in One Year
Governmental Activities:					
General obligation bonds	\$ 2,594,699	\$ 22,128	\$ (95,000)	\$ 2,521,827	\$ 100,000
Asbestos removal loan	28,985	-	(5,000)	23,985	5,000
Capital lease obligation	50,008	-	(21,123)	28,885	22,876
Lease-purchase obligation	172,081	-	(72,157)	99,924	74,537
Compensated absences	743,847	132,096	(70,324)	805,619	30,626
Total	\$ 3,589,620	\$ 154,224	\$ (263,604)	\$ 3,480,240	\$ 233,039

Compensated absences will be paid from the fund in which the employee was paid which, for the District, is primarily the general fund. See Note 9 for further information on the District's capital lease obligation and Note 10 for further information on the District's lease-purchase agreement.

D. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$4,857,998 and an unvoted debt margin of \$80,966.

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

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

NOTE 12 - NOTE PAYABLE

The tax anticipation note described below has been issued in anticipation of tax revenue. The tax anticipation note is reported as a liability of the general fund, the fund which received the proceeds. Repayment of the tax anticipation notes was in the general fund in the amount of \$444,185 (\$440,000 principal and \$4,185 interest). This note was backed by the full faith and credit of the District and was received and repaid in fiscal year 2005.

	Interest Rate	Issue Date	Notes Outstanding 06/30/04	Issued	Retired	Notes Outstanding 06/30/05
Tax anticipation note	3.75%	01/04/2005	\$ -	\$ 440,000	\$ (440,000)	\$ -

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

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

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

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

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reductions in amounts of insurance coverage from fiscal 2004.

B. Health Insurance

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

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

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

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

NOTE 13 - RISK MANAGEMENT - (Continued)

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

C. OSBA Workers' Compensation Group Rating

For fiscal year 2005, the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniserve provides administrative, cost control and actuarial services to the GRP.

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$113,888, \$102,190 and \$83,207, respectively; 38.29% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$70,287 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

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

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

NOTE 14 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$524,831, \$525,233, and \$490,688, respectively; 83.72% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$85,427 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$3,225 made by the District and \$12,464 made by plan members.

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

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

NOTE 14 - PENSION PLANS

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System of Ohio. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's Liability is 6.2% of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$40,372 during fiscal 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254.780 million and STRS Ohio had 115,395 eligible benefit recipients.

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

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

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Net health care costs at June 30, 2005, were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million and SERS had 58,123 participants eligible to receive health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$53,523 during the 2005 fiscal year.

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

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (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	\$ (757,381)
Net adjustment for revenue accruals	33,734
Net adjustment for expenditure accruals	425,621
Net adjustment for other sources/uses	(496,348)
Adjustment for encumbrances	70,516
GAAP basis	\$ (723,858)

NOTE 17 - CONTINGENCIES

A. Grants

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

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

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

NOTE 17 - CONTINGENCIES - (Continued)

B. Litigation

The District is not involved in material litigation as either plaintiff or defendant.

NOTE 18 - STATUTORY RESERVES

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

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2004	\$ 143,906	\$ (2,943,133)	\$ 300,530
Current year set-aside requirement	155,086	155,086	-
Qualifying disbursements	<u>(135,525)</u>	<u>(214,128)</u>	<u>-</u>
Total	<u>\$ 163,467</u>	<u>\$ (3,002,175)</u>	<u>\$ 300,530</u>
Cash balance carried forward to FY 2006	<u>\$ 163,467</u>	<u>\$ (2,943,133)</u>	<u>\$ 300,530</u>
Amount to limit set-aside to cash available	<u>\$ (163,467)</u>	<u>\$ -</u>	<u>\$ (300,530)</u>
Total restricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying expenditures and offsets during the year that reduced the set-aside amount below zero for the capital acquisition reserve. Because the District is involved in the Ohio School Facilities Commission project, this negative amount may be used to reduce the set-aside requirement for future years, and is therefore presented as being carried forward to the next fiscal year.

The District had a deficit cash balance in the general fund at June 30, 2005 (see Note 3.C). The required set-aside for textbooks/instructional materials has been reduced accordingly.

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENTS

- A. Janet Ward resigned as Treasurer of the District effective March 15, 2006. The District hired Merri Smith to assume the position of Treasurer. Terry Nicholas was appointed superintendent effective November 6, 2006.
- B. The District issued short-term tax anticipation notes on November 22, 2005 in the amount of \$750,000. These notes bear an interest rate of 5.00% per annum and mature on May 22, 2006.
- C. The District issued Classroom Facilities Refunding Bonds on June 6, 2006, par value \$1,545,000, to advance refund the current interest term bonds portion of the Series 2000 G.O. bonds (principal \$1,550,000). The bonds bear interest rates ranging from 4.15% to 5.50% and mature in 2024.

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

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

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENTS - (Continued)

- D.** The District issued long-term tax anticipation notes on June 29, 2006 in the amount of \$500,000. These notes bear an interest rate of 5.00% per annum and mature in 2011.
- E.** The Superintendent of Public Instruction declared the District to be in a state of fiscal caution effective September 12, 2005.



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Maplewood Local School District, Trumbull County, Ohio, as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 16, 2007. As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Maplewood Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters that we reported to management of Maplewood Local School District, in a separate letter dated March 16, 2007.

Board of Education
Maplewood Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maplewood Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2005-MLSD-001 through 2005-MLSD-005. We also noted certain matters that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated March 16, 2007.

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



Julian & Grube, Inc.
March 16, 2007

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

**SCHEDULE OF FINDINGS
JUNE 30, 2005**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
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Finding Number	2005-MLSD-001
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Ohio Revised Code Section 5705.36 in part, requires fiscal officers of subdivisions to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

It was noted that the District did not certify its available resources to the county auditor during the year.

Without certifying the available sources to the County, the District only lawfully has the amount of unencumbered balances to legally appropriate for expenditures.

We recommend that the District review its available resources and certify them to the county auditor as necessary. This will facilitate the District's budget process.

Client Response: The District will monitor its budget on a continual basis and request increased or reduced amended certificates as necessary.

Finding Number	2005-MLSD-002
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Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

It was noted throughout the year that the District had appropriations exceeding estimated resources in all funds except for Other Grants (Fund 019). Thus, the District did not request enough amended certificates throughout the year upon notice of increased or decreased resources in order to equal or exceed appropriations.

The District is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources.

We recommend that the District review its available resources versus its appropriations throughout the year and file amended certificates when necessary. This will facilitate the District's appropriation process.

Client Response: The District will monitor its budget on a continual basis and request increased or reduced amended certificates as necessary.

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

**SCHEDULE OF FINDINGS
JUNE 30, 2005**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2005-MLSD-003

Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed the total estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources in the following funds at June 30, 2005:

<u>Major Funds</u>	<u>Excess</u>
General Fund (001, 016, and 022)	\$7,690,075
Bond Retirement (fund 002)	573,317
 <u>Nonmajor Funds</u>	
Food Service (006)	289,876
Scholarship (007)	600
Uniform School Supplies (009)	22,586
Public School Support (018)	33,471
Other Grants (019)	4,567
Athletics (300)	40,493
EMIS (432)	5,000
DPIA (447)	10,282
One Net (451)	9,000
School Net (452)	3,061
Summer Intervention (460)	12,909
Title VI-B (516)	189,894
Title I (fund 572)	121,195
Title VI (fund 573)	13,757
Safe Drug Free Schools (584)	3,699
Title II-A (590)	50,044
Title II-D (599)	1,955
Permanent Improvement (003)	211,876
Student Activities (200)	74,419

With appropriations exceeding estimated resources the District may spend more funds than in the Treasury or process of collection and cause fund deficits.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97- 010 by keeping more accurate appropriations versus estimated resources records and amending the budget throughout the year and at year end. If it is determined that estimated revenues will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a continual basis.

Client Response: The District will monitor the budget on a continual basis and make modifications as necessary to ensure appropriations do not exceed estimated resources.

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

**SCHEDULE OF FINDINGS
JUNE 30, 2005**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
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Finding Number	2005-MLSD-004
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Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover the expenditures.

It was noted during the audit that at June 30, 2005, the District maintained a negative cash fund balance in the following fund:

<u>Major Fund</u>	<u>Deficit</u>
General Fund (001, 016, 022)	\$97,004

By having a negative fund balance, this fund has spent other funds' balances. This could indicate insufficient monitoring of appropriations and related expenditures and continual review of cash management. No fund should have a negative cash fund balance throughout the year or at year end.

We recommend that the District properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the District should advance or transfer funds from the General Fund with proper Board approval. We recommend the District utilize its accounting software program to its fullest and continually review relevant reports to assist in preventing negative fund balances.

Client Response: The District will monitor expenditures in relation to revenues to avoid negative fund balances and will advance or transfer funds as necessary.

Finding Number	2005-MLSD-005
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The District had expenditures exceeding appropriations in the following fund:

<u>Major Fund</u>	<u>Deficit</u>
General Fund (001, 016, 022)	\$469,167

With expenditures exceeding appropriations, the District is unlawfully expending monies that have not been appropriated. This could result in unnecessary purchases or fund deficits.

We recommend that the District comply with Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The Treasurer will monitor expenditures throughout the year to ensure they do not spend more than appropriated.



Mary Taylor, CPA
Auditor of State

MAPLEWOOD LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 24, 2007