

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

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2004*

CHRIS WRIGHT, TREASURER



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Mapleton Local School District, Ashland County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 21, 2005

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

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mapleton Local School District, Ashland County, (the “District”), as of and for the fiscal year ended June 30, 2004, 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 the Mapleton Local School District, Ashland County, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units; GASB Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the fiscal year ended June 30, 2003. In addition, capital assets have been restated due to changes in its capital asset policy, the reclassification of funds, and errors and omissions as disclosed in Note 7.A.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2005, on our consideration of the District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Mapleton Local School District
Page Two

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

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



Trimble, Julian & Grube, Inc.
February 17, 2005

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The management's discussion and analysis of the Mapleton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$1,959,296 which represents an 11.71% increase from 2003.
- General revenues accounted for \$9,410,107 in revenue or 91.68% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$853,643 or 8.32% of total revenues of \$10,263,750.
- The District had \$8,304,454 in expenses related to governmental activities; \$853,643 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,410,107 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, classroom construction fund and permanent improvement fund. The general fund had \$6,794,988 in revenues and \$7,197,896 in expenditures. During fiscal year 2004, the general fund's fund balance decreased \$402,908 from \$445,339 to \$42,431.
- The classroom construction fund had \$1,966,501 in revenues and \$10,487,447 in expenditures. During fiscal year 2004, the classroom construction fund's fund balance decreased \$8,520,946 from \$10,159,450 to \$1,638,504.
- The permanent improvement fund had \$229,810 in revenues and \$23,881 in expenditures. During fiscal year 2004, the permanent improvement fund's fund balance increased \$205,929 from \$511,172 to \$717,101.

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, classroom construction fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" 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, classroom construction fund and permanent improvement fund.

Governmental Funds

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

Proprietary Funds

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-52 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

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

| | Net Assets |
|--|---|
| | Governmental Activities <u>2004</u> |
| <u>Assets</u> | |
| Current and other assets | \$ 8,995,801 |
| Capital assets | <u>19,963,377</u> |
| Total assets | <u>28,959,178</u> |
| <u>Liabilities</u> | |
| Current liabilities | 5,959,510 |
| Long-term liabilities | <u>4,306,370</u> |
| Total liabilities | <u>10,265,880</u> |
| <u>Net Assets</u> | |
| Invested in capital assets, net of related debt | 17,924,907 |
| Restricted | 2,714,188 |
| Unrestricted (deficit) | <u>(1,945,797)</u> |
| Total net assets | <u>\$ 18,693,298</u> |

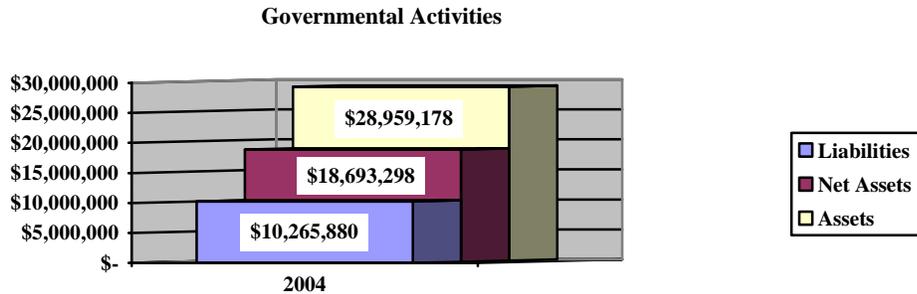
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$18,693,298. Of this total, \$2,714,188 is restricted in use.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

At year-end, capital assets represented 68.94% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$17,924,907. 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, \$2,714,188, represents resources that are subject to external restriction on how they may be used. The table below illustrates the District's assets, liabilities and net assets at June 30, 2004 and 2003.



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Change in Net Assets

| | Governmental Activities <u>2004</u> |
|---------------------------------|---|
| <u>Expenses</u> | |
| Program expenses: | |
| Instruction: | |
| Regular | \$ 4,016,947 |
| Special | 665,063 |
| Vocational | 156,719 |
| Other | 118,597 |
| Support services: | |
| Pupil | 166,497 |
| Instructional staff | 244,065 |
| Board of education | 83,763 |
| Administration | 564,561 |
| Fiscal | 217,509 |
| Operations and maintenance | 759,309 |
| Pupil transportation | 466,426 |
| Central | 52,813 |
| Food service operations | 338,052 |
| Extracurricular activities | 258,811 |
| Interest and fiscal charges | <u>195,322</u> |
| Total expenses | <u>8,304,454</u> |
| Change in net assets | 1,959,296 |
| Net assets at beginning of year | <u>16,734,002</u> |
| Net assets at end of year | <u>\$ 18,693,298</u> |

Governmental Activities

Net assets of the District's governmental activities increased \$1,959,296. Total governmental expenses of \$8,304,454 were offset by program revenues of \$853,643 and general revenues of \$9,410,107. Program revenues supported 10.28% 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 90.50% of total governmental revenue.

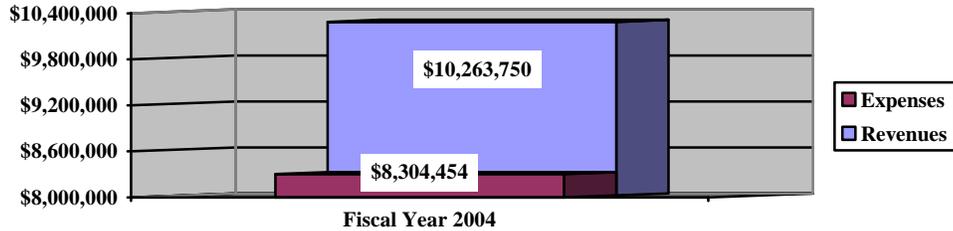
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,957,326 or 59.69% of total governmental expenses for fiscal 2004.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

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

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

Governmental Activities

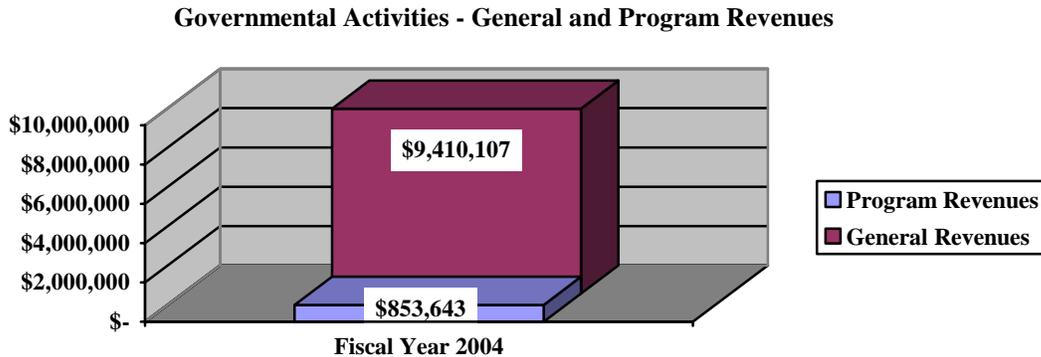
| | Total Cost of Services <u>2004</u> | Net Cost of Services <u>2004</u> |
|-----------------------------|--|--|
| Program expenses | | |
| Instruction: | | |
| Regular | \$ 4,016,947 | \$ 3,845,786 |
| Special | 665,063 | 397,213 |
| Vocational | 156,719 | 156,719 |
| Other | 118,597 | 118,597 |
| Support services: | | |
| Pupil | 166,497 | 148,209 |
| Instructional staff | 244,065 | 241,958 |
| Board of education | 83,763 | 83,763 |
| Administration | 564,561 | 564,561 |
| Fiscal | 217,509 | 209,176 |
| Operations and maintenance | 759,309 | 754,740 |
| Pupil transportation | 466,426 | 456,151 |
| Central | 52,813 | 50,652 |
| Food service operations | 338,052 | 38,396 |
| Extracurricular activities | 258,811 | 189,741 |
| Interest and fiscal charges | <u>195,322</u> | <u>195,149</u> |
| Total expenses | <u><u>\$ 8,304,454</u></u> | <u><u>\$ 7,450,811</u></u> |

The dependence upon tax and other general revenues for governmental activities is apparent, 91.14% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 89.72%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

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



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,916,328, which is lower than last year's restated total of \$11,583,267. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

| | Fund Balance June 30, 2004 | Restated Fund Balance June 30, 2003 | Increase (Decrease) | Percentage Change |
|------------------------|-------------------------------|---|------------------------|----------------------|
| General | \$ 42,431 | \$ 445,339 | \$ (402,908) | (90.47) % |
| Classroom Construction | 1,638,504 | 10,159,450 | (8,520,946) | (83.87) % |
| Permanent Improvement | 717,101 | 511,172 | 205,929 | 40.29 % |
| Other Governmental | <u>518,292</u> | <u>467,306</u> | <u>50,986</u> | 10.91 % |
| Total | <u>\$ 2,916,328</u> | <u>\$11,583,267</u> | <u>\$ (8,666,939)</u> | (74.82) % |

General Fund

The District's general fund balance decreased \$402,908 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to several items related to expenditures increasing faster than revenues. Expenditures exceed revenues for fiscal year 2004 by \$402,908. In fiscal year 2004, the District changed the method open enrollment revenue and expenditures are recorded, resulting in an increase in intergovernmental revenue and a corresponding increase in instruction expenditures. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

| | <u>2004</u> <u>Amount</u> | <u>2003</u> <u>Amount</u> | <u>Increase</u> <u>(Decrease)</u> | <u>Percentage</u> <u>Change</u> |
|---|------------------------------|------------------------------|--------------------------------------|------------------------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 2,060,444 | \$ 1,952,331 | \$ 108,113 | 5.54 % |
| Earnings on investments | 18,957 | 21,850 | (2,893) | (13.24) % |
| Intergovernmental | 4,641,820 | 4,205,053 | 436,767 | 10.39 % |
| Other revenues | <u>73,767</u> | <u>47,617</u> | <u>26,150</u> | 54.92 % |
| Total | <u>\$ 6,794,988</u> | <u>\$ 6,226,851</u> | <u>\$ 568,137</u> | 9.12 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 4,446,016 | \$ 3,520,679 | \$ 925,337 | 26.28 % |
| Support services | 2,591,292 | 2,222,253 | 369,039 | 16.61 % |
| Extracurricular activities | 149,947 | 163,282 | (13,335) | (8.17) % |
| Facilities acquisition and construction | <u>10,641</u> | <u>-</u> | <u>10,641</u> | 100.00 % |
| Total | <u>\$ 7,197,896</u> | <u>\$ 5,906,214</u> | <u>\$ 1,291,682</u> | 21.87 % |

Classroom Construction Fund

The classroom construction fund had \$1,966,501 in revenues and \$10,487,447 in expenditures. During fiscal year 2004, the classroom construction fund's fund balance decreased \$8,520,946 from \$10,159,450 to \$1,638,504. The decrease in fund balance in the classroom construction fund was due to the completion of the construction project on the new high school and the ongoing construction related to the new elementary building.

Permanent Improvement Fund

The permanent improvement fund had \$229,810 in revenues and \$23,881 in expenditures. During fiscal year 2004, the permanent improvement fund's fund balance increased \$205,929 from \$511,172 to \$717,101.

General Fund Budgeting Highlights

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

During the course of fiscal 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$6,124,403 and final budgeted revenues and other financing sources were \$6,770,991. Actual revenues and other financing sources for fiscal 2004 was \$6,770,991. This represents a \$646,588 increase over original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$6,582,325 were increased to \$6,861,944 in the final appropriations. The actual budget basis expenditures for fiscal year 2004 totaled \$6,911,432, which was \$49,488 higher than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$19,963,377 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

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

| | Governmental Activities | |
|---------------------------|-------------------------|--------------|
| | 2004 | 2003 |
| Land | \$ 312,800 | \$ 312,800 |
| Land improvements | 1,373,616 | 163,390 |
| Building and improvements | 15,098,269 | 48,820 |
| Furniture and equipment | 468,398 | 16,843 |
| Vehicles | 387,737 | 288,554 |
| Construction in progress | 2,322,557 | 8,947,104 |
| Total | \$ 19,963,377 | \$ 9,777,511 |

The overall increase in capital assets of \$10,185,866 is due to capital outlays of \$17,205,425 less disposals of \$6,624,547 exceeding depreciation expense of \$395,012 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, 2004, the District had \$3,895,000 in classroom facilities bonds outstanding. Of this total, \$120,000 is due within one year and \$3,775,000 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

| | Governmental Activities | Governmental Activities |
|----------------------------|----------------------------|----------------------------|
| | 2004 | 2003 |
| Classroom facilities bonds | \$ 3,895,000 | \$ 4,005,000 |
| Total | \$ 3,895,000 | \$ 4,005,000 |

At June 30, 2004, the District's overall legal debt margin was \$5,629,162, and an unvoted debt margin of \$103,324.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

Current Financial Related Activities

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

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

To address projected shortfalls, the Board has placed a 7.9 mill current expense levy on the ballot for May, 2005. This levy is expected to provide financial stability for at least the next five years. Additionally, the Board has formed a committee to investigate additional cost-cutting measures. That committee is expected to render its recommendations at the regular board meeting in March, 2005.

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

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2004

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents. | \$ 1,896,929 |
| Cash with fiscal agent | 98,537 |
| Cash with escrow agent | 17,360 |
| Investments | 1,844,543 |
| Receivables: | |
| Taxes | 2,768,055 |
| Accounts | 3,012 |
| Intergovernmental | 2,319,881 |
| Accrued interest | 3,518 |
| Prepayments | 1,819 |
| Materials and supplies inventory | 42,147 |
| Capital assets: | |
| Land | 312,800 |
| Construction in progress | 2,322,557 |
| Depreciable capital assets, net | 17,328,020 |
| Capital assets, net. | 19,963,377 |
| Total assets. | 28,959,178 |
| Liabilities: | |
| Accounts payable. | 127,672 |
| Contracts payable. | 500,153 |
| Retainage payable | 13,737 |
| Accrued wages and benefits | 736,171 |
| Pension obligation payable. | 154,270 |
| Intergovernmental payable | 21,292 |
| Deferred revenue | 4,271,444 |
| Accrued interest payable | 76,918 |
| Claims payable | 57,853 |
| Long-term liabilities: | |
| Due within one year. | 160,616 |
| Due in more than one year | 4,145,754 |
| Total liabilities | 10,265,880 |
| Net Assets: | |
| Invested in capital assets, net of related debt. | 17,924,907 |
| Restricted for: | |
| Capital projects | 2,371,156 |
| Debt service. | 318,173 |
| Other purposes | 24,859 |
| Unrestricted (deficit) | (1,945,797) |
| Total net assets | \$ 18,693,298 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

| | Expenses | Program Revenues | | | Net (Expense) |
|---|---------------------|--------------------------------------|--|--|---|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Assets |
| | | | | | Governmental Activities |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 4,016,947 | \$ 44,551 | \$ 103,842 | \$ 22,768 | \$ (3,845,786) |
| Special | 665,063 | - | 267,850 | - | (397,213) |
| Vocational | 156,719 | - | - | - | (156,719) |
| Other | 118,597 | - | - | - | (118,597) |
| Support services: | | | | | |
| Pupil | 166,497 | - | - | 18,288 | (148,209) |
| Instructional staff | 244,065 | - | 2,107 | - | (241,958) |
| Board of education | 83,763 | - | - | - | (83,763) |
| Administration | 564,561 | - | - | - | (564,561) |
| Fiscal | 217,509 | - | 5,000 | 3,333 | (209,176) |
| Operations and maintenance | 759,309 | - | 4,742 | - | (754,567) |
| Pupil transportation | 466,426 | 10,275 | - | - | (456,151) |
| Central | 52,813 | - | 2,161 | - | (50,652) |
| Operation of non-instructional services: | | | | | |
| Food service operations | 338,052 | 192,710 | 106,946 | - | (38,396) |
| Extracurricular activities | 258,811 | 69,070 | - | - | (189,741) |
| Interest and fiscal charges | 195,322 | - | - | - | (195,322) |
| Total governmental activities | \$ 8,304,454 | \$ 316,606 | \$ 492,648 | \$ 44,389 | (7,450,811) |
| General Revenues: | | | | | |
| Property taxes levied for: | | | | | |
| General purposes | | | | | 2,105,318 |
| Special revenue | | | | | 43,160 |
| Debt service | | | | | 314,687 |
| Capital projects | | | | | 211,506 |
| Grants and entitlements not restricted to specific programs | | | | | |
| | | | | | 4,688,360 |
| Grants restricted for Ohio Schools | | | | | |
| Facilities construction | | | | | 1,925,500 |
| Investment earnings | | | | | 53,927 |
| Miscellaneous | | | | | 67,649 |
| Total general revenues | | | | | 9,410,107 |
| Change in net assets | | | | | 1,959,296 |
| Net assets at beginning of year | | | | | 16,734,002 |
| Net assets at end of year | | | | | \$ 18,693,298 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

| | General | Classroom Construction | Permanent Improvement | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------------|--------------------------|--------------------------------|--------------------------------|
| Assets: | | | | | |
| Equity in pooled cash and cash equivalents | \$ 441,019 | \$ 290,739 | \$ 668,967 | \$ 463,765 | \$ 1,864,490 |
| Cash with escrow agent | 3,623 | 13,737 | - | - | 17,360 |
| Investments | - | 1,844,543 | - | - | 1,844,543 |
| Receivables: | | | | | |
| Taxes. | 2,187,283 | - | 218,411 | 362,361 | 2,768,055 |
| Accounts | 20 | - | - | 2,992 | 3,012 |
| Intergovernmental | - | 2,304,343 | - | 15,538 | 2,319,881 |
| Accrued interest | 141 | 3,375 | - | 2 | 3,518 |
| Prepayments | 1,819 | - | - | - | 1,819 |
| Materials and supplies inventory | 36,823 | - | - | 5,324 | 42,147 |
| Restricted assets: | | | | | |
| Equity in pooled cash and cash equivalents | 32,439 | - | - | - | 32,439 |
| Total assets | \$ 2,703,167 | \$ 4,456,737 | \$ 887,378 | \$ 849,982 | \$ 8,897,264 |
| Liabilities: | | | | | |
| Accounts payable | \$ 113,325 | \$ - | \$ - | \$ 14,347 | \$ 127,672 |
| Contracts payable | - | 500,153 | - | - | 500,153 |
| Retainage payable | - | 13,737 | - | - | 13,737 |
| Accrued wages and benefits | 711,328 | - | - | 24,843 | 736,171 |
| Compensated absences payable | 13,748 | - | - | - | 13,748 |
| Pension obligation payable. | 97,952 | - | - | 5,800 | 103,752 |
| Intergovernmental payable. | 19,164 | - | - | 2,128 | 21,292 |
| Deferred revenue. | 1,705,219 | 2,304,343 | 170,277 | 284,572 | 4,464,411 |
| Total liabilities | 2,660,736 | 2,818,233 | 170,277 | 331,690 | 5,980,936 |
| Fund Balances: | | | | | |
| Reserved for encumbrances | 20,660 | - | 9,873 | 18,273 | 48,806 |
| Reserved for materials and supplies inventory. | 36,823 | - | - | 5,324 | 42,147 |
| Reserved for prepayments | 1,819 | - | - | - | 1,819 |
| Reserved for property tax unavailable for appropriation | 482,064 | - | 48,134 | 79,889 | 610,087 |
| Reserved for debt service | - | - | - | 225,005 | 225,005 |
| Reserved for BWC refunds. | 32,439 | - | - | - | 32,439 |
| Unreserved: | | | | | |
| Undesignated (deficit), reported in: | | | | | |
| General fund | (531,374) | - | - | - | (531,374) |
| Special revenue funds | - | - | - | 189,310 | 189,310 |
| Capital projects funds | - | 1,638,504 | 659,094 | 491 | 2,298,089 |
| Total fund balances | 42,431 | 1,638,504 | 717,101 | 518,292 | 2,916,328 |
| Total liabilities and fund balances | \$ 2,703,167 | \$ 4,456,737 | \$ 887,378 | \$ 849,982 | \$ 8,897,264 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

| | | |
|--|-------------|----------------------|
| Total governmental fund balances | | \$ 2,916,328 |
| <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. | | 19,963,377 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Taxes | \$ 190,867 | |
| Intergovernmental revenue | 2,100 | |
| Total | | 192,967 |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. | | 40,684 |
| 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 | (397,622) | |
| Pension obligation payable | (50,518) | |
| General obligation bonds payable | (3,895,000) | |
| Accrued interest payable | (76,918) | |
| Total | | (4,420,058) |
| Net assets of governmental activities | | \$ 18,693,298 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

| | <u>General</u> | <u>Classroom Construction</u> | <u>Permanent Improvement</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|------------------|-----------------------------------|----------------------------------|---|---|
| Revenues: | | | | | |
| From local sources: | | | | | |
| Taxes | \$ 2,060,444 | \$ - | \$ 206,871 | \$ 349,294 | \$ 2,616,609 |
| Charges for services. | - | - | - | 192,710 | 192,710 |
| Earnings on investments. | 18,957 | 41,001 | - | 430 | 60,388 |
| Extracurricular. | - | - | - | 85,409 | 85,409 |
| Transportation fees | 10,275 | - | - | - | 10,275 |
| Classroom materials and fees. | 28,213 | - | - | - | 28,213 |
| Other local revenues. | 35,279 | - | - | 32,369 | 67,648 |
| Other revenue | - | - | - | 5,675 | 5,675 |
| Intergovernmental - State. | 4,641,820 | 1,925,500 | 22,939 | 116,711 | 6,706,970 |
| Intergovernmental - Federal | - | - | - | 436,152 | 436,152 |
| Total revenues | <u>6,794,988</u> | <u>1,966,501</u> | <u>229,810</u> | <u>1,218,750</u> | <u>10,210,049</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 3,715,821 | - | 1,372 | 399,478 | 4,116,671 |
| Special. | 444,018 | - | - | - | 444,018 |
| Vocational. | 167,505 | - | - | - | 167,505 |
| Other. | 118,672 | - | - | - | 118,672 |
| Support services: | | | | | |
| Pupil. | 150,994 | - | 17,360 | - | 168,354 |
| Instructional staff | 256,125 | - | - | 1,548 | 257,673 |
| Board of education | 83,763 | - | - | - | 83,763 |
| Administration. | 574,005 | - | - | - | 574,005 |
| Fiscal | 212,490 | - | 3,470 | 5,673 | 221,633 |
| Operations and maintenance. | 658,558 | 144,746 | - | 18,058 | 821,362 |
| Pupil transportation | 603,194 | - | - | - | 603,194 |
| Central. | 52,163 | - | - | 650 | 52,813 |
| Food service operations | - | - | - | 342,742 | 342,742 |
| Extracurricular activities. | 149,947 | - | - | 92,494 | 242,441 |
| Facilities acquisition and construction | 10,641 | 10,342,701 | 1,679 | - | 10,355,021 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | 110,000 | 110,000 |
| Interest and fiscal charges | - | - | - | 197,121 | 197,121 |
| Total expenditures | <u>7,197,896</u> | <u>10,487,447</u> | <u>23,881</u> | <u>1,167,764</u> | <u>18,876,988</u> |
| Net change in fund balances | (402,908) | (8,520,946) | 205,929 | 50,986 | (8,666,939) |
| Fund balances at beginning of year (restated) | | | | | |
| | 445,339 | 10,159,450 | 511,172 | 467,306 | 11,583,267 |
| Fund balances at end of year. | <u>\$ 42,431</u> | <u>\$ 1,638,504</u> | <u>\$ 717,101</u> | <u>\$ 518,292</u> | <u>\$ 2,916,328</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

| | | |
|--|-----------|------------------|
| Net change in fund balances - total governmental funds | \$ | (8,666,939) |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays net of disposals (\$10,580,878) exceeds depreciation expense (\$395,012) in the current period. | | 10,185,866 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 53,701 |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. | | 110,000 |
| Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. | | 1,799 |
| Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | 126,388 |
| The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. | | 148,481 |
| | | 148,481 |
| Change in net assets of governmental activities | \$ | 1,959,296 |
| | | 1,959,296 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

| | <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 | \$ 1,802,156 | \$ 1,992,420 | \$ 1,992,420 | \$ - |
| Transportation | 9,294 | 10,275 | 10,275 | - |
| Earnings on investments. | 18,649 | 20,618 | 20,618 | - |
| Classroom materials and fees | 25,519 | 28,213 | 28,213 | - |
| Other local revenues | 31,927 | 35,298 | 35,298 | - |
| Intergovernmental - State | 4,198,555 | 4,641,820 | 4,641,820 | - |
| Total revenues. | <u>6,086,100</u> | <u>6,728,644</u> | <u>6,728,644</u> | <u>-</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,423,619 | 3,569,055 | 3,594,795 | (25,740) |
| Special. | 348,039 | 362,823 | 365,440 | (2,617) |
| Vocational. | 149,429 | 155,777 | 156,900 | (1,123) |
| Other. | 113,858 | 118,695 | 119,551 | (856) |
| Support services: | | | | |
| Pupil. | 145,121 | 151,286 | 152,377 | (1,091) |
| Instructional staff | 238,487 | 248,618 | 250,411 | (1,793) |
| Board of education | 82,402 | 85,902 | 86,522 | (620) |
| Administration. | 533,801 | 556,477 | 560,490 | (4,013) |
| Fiscal | 202,908 | 211,527 | 213,053 | (1,526) |
| Operations and maintenance. | 599,490 | 624,957 | 629,464 | (4,507) |
| Pupil transportation | 555,632 | 579,236 | 583,413 | (4,177) |
| Central. | 35,798 | 37,319 | 37,588 | (269) |
| Extracurricular activities. | 143,607 | 149,707 | 150,787 | (1,080) |
| Facilities acquisition and construction. | 10,134 | 10,565 | 10,641 | (76) |
| Total expenditures | <u>6,582,325</u> | <u>6,861,944</u> | <u>6,911,432</u> | <u>(49,488)</u> |
| Excess of revenues under expenditures. | <u>(496,225)</u> | <u>(133,300)</u> | <u>(182,788)</u> | <u>(49,488)</u> |
| Other financing sources: | | | | |
| Refund of prior year expenditure | 663 | 733 | 733 | - |
| Advances in. | 37,640 | 41,614 | 41,614 | - |
| Total other financing sources | <u>38,303</u> | <u>42,347</u> | <u>42,347</u> | <u>-</u> |
| Net change in fund balance | (457,922) | (90,953) | (140,441) | (49,488) |
| Fund balance at beginning of year. | 529,865 | 529,865 | 529,865 | - |
| Prior year encumbrances appropriated | 34,457 | 34,457 | 34,457 | - |
| Fund balance at end of year | <u>\$ 106,400</u> | <u>\$ 473,369</u> | <u>\$ 423,881</u> | <u>\$ (49,488)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

| | Governmental Activities - Internal Service Fund |
|----------------------------------|--|
| Assets: | |
| Current assets: | |
| Cash with fiscal agent | \$ 98,537 |
| Total assets | <u>98,537</u> |
| Liabilities: | |
| Claims payable | <u>57,853</u> |
| Total liabilities | <u>57,853</u> |
| Net assets: | |
| Unrestricted. | 40,684 |
| Total net assets | <u><u>\$ 40,684</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

| | Governmental Activities - Internal Service Fund |
|---|--|
| Operating revenues: | |
| Sales/charges for services. | \$ 1,050,261 |
| Total operating revenues | <u>1,050,261</u> |
| Operating expenses: | |
| Claims expense | 759,772 |
| Purchased services. | 141,510 |
| Other. | 498 |
| Total operating expenses | <u>901,780</u> |
| Operating income. | <u>148,481</u> |
| Change in net assets. | 148,481 |
| Net assets (deficit) at beginning of year. . . | <u>(107,797)</u> |
| Net assets at end of year | <u><u>\$ 40,684</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

| | Governmental Activities - Internal Service Fund |
|---|--|
| Cash flows from operating activities: | |
| Cash received from sales/charges for services | \$ 1,050,261 |
| Cash payments for claims expense. | (759,927) |
| Cash payments for purchased services. | (150,040) |
| Cash payments for other expenses. | (498) |
| | 139,796 |
| Net cash provided by noncapital operating activities | 139,796 |
| Cash flows from noncapital financing activities: | |
| Cash used in repayment of interfund loans | (41,259) |
| | (41,259) |
| Net cash used in noncapital financing activities | (41,259) |
| Net increase in cash and cash equivalents | 98,537 |
| Cash and cash equivalents at beginning of year | - |
| Cash and cash equivalents at end of year | \$ 98,537 |
| Operating income | \$ 148,481 |
| Changes in assets and liabilities: | |
| Decrease in intergovernmental payable | (8,530) |
| Decrease in claims payable | (155) |
| | (8,685) |
| Net cash provided by operating activities. | \$ 139,796 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

| | Agency |
|---|---------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 62,476 |
| | 62,476 |
| Total assets. | \$ 62,476 |
| | 62,476 |
| Liabilities: | |
| Accounts payable. | \$ 963 |
| Due to students | 61,513 |
| | 61,513 |
| Total liabilities | \$ 62,476 |
| | 62,476 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is the 484th largest in the State of Ohio (out of approximately 613 public and community school districts) in terms of enrollment. It is staffed by 46 non-certificated employees and 77 certificated full-time teaching personnel who provide services to 1,046 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organizations 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 this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

JOINTLY GOVERNED ORGANIZATIONS

Midland Council of Governments

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

Pioneer Career and Technology Center (PCTC)

The PCTC 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 participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Treasurer of the Pioneer Career and Technology Center at 27 Ryan Road, Shelby, OH 44875-0309.

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

PROPRIETARY FUND

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

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

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

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

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

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

D. Basis of Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Ashland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2004, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the final appropriation amounts including all amendments and modifications.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

F. Cash and Investments

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

During fiscal year 2004, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, and a U.S. Treasury money market account. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$18,957, which includes \$12,812 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 Treasurer'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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2004, the District increased its capitalization threshold from \$500 to \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

I. Compensated Absences

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

J. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, 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.

K. Fund Balance Reserves

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

L. Operating Revenues and Expenses

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

M. Net Assets

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a BWC refund reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 15.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. There are no outstanding interfund transactions at June 30, 2004.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

| | <u>General</u> | <u>Classroom Construction</u> | <u>Permanent Improvement</u> | <u>Nonmajor</u> | <u>Total</u> |
|--|-------------------|-----------------------------------|----------------------------------|-------------------|----------------------|
| Fund balance June 30, 2003 | \$ 434,042 | \$ 10,159,450 | \$ 511,172 | \$ 430,822 | \$ 11,535,486 |
| Fund reclassifications | - | - | - | 36,484 | 36,484 |
| Implementation of GASB Interpretation No. 6 | <u>11,297</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>11,297</u> |
| Restated fund balance, June 30, 2003 | <u>\$ 445,339</u> | <u>\$ 10,159,450</u> | <u>\$ 511,172</u> | <u>\$ 467,306</u> | <u>\$ 11,583,267</u> |

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

| | <u>Total</u> |
|---|----------------------|
| Restated fund balance, June 30, 2003 | \$ 11,583,267 |
| GASB 34 adjustments: | |
| Long-term (deferred) assets | 139,266 |
| Capital assets | 9,777,511 |
| Accrued interest payable | (78,717) |
| Pension obligation | (66,273) |
| Long-term liabilities | (4,513,255) |
| Internal service fund | <u>(107,797)</u> |
| Governmental activities net assets, June 30, 2003 | <u>\$ 16,734,002</u> |

B. Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

| | <u>Deficit</u> |
|---------------------------|----------------|
| <u>Nonmajor Funds</u> | |
| Food Service | \$ 6,172 |
| Special Education | 329 |
| Title I | 282 |
| Improving Teacher Quality | 80 |

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Non-Compliance

The following funds had expenditures in excess of appropriations for the fiscal year ended June 30, 2004, in noncompliance with Ohio Revised Code Section 5705.41(B):

| <u>Major Funds:</u> | <u>Excess</u> |
|----------------------------|---------------|
| General Fund | \$ 49,488 |
| Permanent Improvement | 9,873 |
| Classroom Facilities | 1,364,358 |
| <u>NonMajor Funds:</u> | |
| Public School | 10,800 |
| Classroom Facilities | 1,200 |
| District Managed Activity | 9,205 |
| Ohio Reads | 3,485 |
| Summer Intervention | 6,605 |
| Education Technology | 546 |

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments". Statutes require the classification of 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 the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those 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 accounts, including passbook accounts.

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

Interim monies may 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 or interest by the United States;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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 2% 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash with Escrow Agent: At fiscal year-end, \$3,623 was on deposit in the District's escrow account with Tri-County Educational Service Center and \$13,737 on deposit with the District's escrow agent for retainage relating to construction contracts. These amounts are included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the financial statements as "Equity in Pooled Cash and Cash Equivalents".

Cash with Fiscal Agent: The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2004, was \$98,537.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits was \$141,193 and the bank balance was \$510,151. Of the bank balance:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

1. \$100,000 was covered by federal deposit insurance deposited with the District; and
2. \$410,151 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

| | Category 3 | Reported Amount | Fair Value |
|----------------------------|---------------------|--------------------|---------------|
| Federal Agency Securities | <u>\$ 1,844,543</u> | \$ 1,844,543 | \$ 1,844,543 |
| U.S. Treasury money market | | 4,192 | 4,192 |
| Investment in STAR Ohio | | 1,814,020 | 1,814,020 |
| Total investments | | \$ 3,662,755 | \$ 3,662,755 |

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents/Deposits | Investments |
|--|---------------------------------------|--------------|
| GASB Statement No. 9 | \$ 2,075,302 | \$ 1,844,543 |
| Investments of the cash management pool: | | |
| Investment in STAR Ohio | (1,814,020) | 1,814,020 |
| U.S. Treasury money market | (4,192) | 4,192 |
| Cash with escrow agent | (17,360) | - |
| Cash with fiscal agent | (98,537) | - |
| GASB Statement No. 3 | \$ 141,193 | \$ 3,662,755 |

**MAPLETON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Ashland and Lorain Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 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, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$482,064 in the general fund, \$70,971 in the Bond Retirement fund, \$48,134 in the Permanent Improvement fund and \$8,918 in the Classroom Facilities fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$414,040 in the general fund, \$57,504 in the Bond Retirement fund, \$40,745 in the Permanent Improvement fund and \$6,782 in the Classroom Facilities fund.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2004 taxes were collected are:

| | 2003 Second Half Collections | | 2004 First Half Collections | |
|--|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 88,266,130 | 89.32 | \$ 92,590,170 | 89.61 |
| Public utility personal | 7,686,060 | 7.78 | 7,915,500 | 7.66 |
| Tangible personal property | <u>2,867,660</u> | <u>2.90</u> | <u>2,818,301</u> | <u>2.73</u> |
| Total | <u>\$ 98,819,850</u> | <u>100.00</u> | <u>\$ 103,323,971</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation for: | | | | |
| Operations | \$ 41.10 | | \$ 41.10 | |
| Debt retirement | 3.80 | | 3.80 | |
| Permanent improvement | 4.00 | | 4.00 | |

NOTE 6 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

| | |
|-------------------|---------------------|
| Taxes | \$ 2,768,055 |
| Accounts | 3,012 |
| Intergovernmental | 2,319,881 |
| Accrued interest | <u>3,518</u> |
| Total | <u>\$ 5,094,466</u> |

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 7 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy (See Note 2.H.), the reclassification of funds, a reappraisal, and errors and omissions.

| | Balance <u>June 30, 2003</u> | <u>Adjustments</u> | Restated Balance <u>July 1, 2003</u> |
|---|---------------------------------|-----------------------|--|
| Governmental Activities: | | | |
| Capital assets, not being depreciated: | | | |
| Land | \$ 375,670 | \$ (62,870) | \$ 312,800 |
| Construction in progress | <u>8,947,104</u> | <u>-</u> | <u>8,947,104</u> |
| Total capital assets, not being depreciated | <u>9,322,774</u> | <u>(62,870)</u> | <u>9,259,904</u> |
| Capital assets, being depreciated: | | | |
| Land improvements | - | 373,123 | 373,123 |
| Buildings and improvements | 1,872,055 | (1,216,131) | 655,924 |
| Furniture and equipment | 2,403,862 | (2,291,154) | 112,708 |
| Vehicles | <u>892,545</u> | <u>(157,888)</u> | <u>734,657</u> |
| Total capital assets, being depreciated | <u>5,168,462</u> | <u>(3,292,050)</u> | <u>1,876,412</u> |
| <i>Less: accumulated depreciation:</i> | <u>-</u> | <u>(1,358,805)</u> | <u>(1,358,805)</u> |
| Governmental activities capital assets, net | <u>\$ 14,491,236</u> | <u>\$ (4,713,725)</u> | <u>\$ 9,777,511</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 7 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

| | Restated Balance <u>July 1, 2003</u> | <u>Additions</u> | <u>Deductions</u> | Balance <u>June 30, 2004</u> |
|---|--|----------------------|-----------------------|---------------------------------|
| Governmental Activities | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 312,800 | \$ - | \$ - | \$ 312,800 |
| Construction in progress | <u>8,947,104</u> | <u>-</u> | <u>(6,624,547)</u> | <u>2,322,557</u> |
| Total capital assets, not being depreciated | <u>9,259,904</u> | <u>-</u> | <u>(6,624,547)</u> | <u>2,635,357</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 373,123 | 1,259,151 | - | 1,632,274 |
| Buildings and improvements | 655,924 | 15,301,674 | - | 15,957,598 |
| Furniture and equipment | 112,708 | 476,870 | - | 589,578 |
| Vehicles | <u>734,657</u> | <u>167,730</u> | <u>-</u> | <u>902,387</u> |
| Total capital assets, being depreciated | <u>1,876,412</u> | <u>17,205,425</u> | <u>-</u> | <u>19,081,837</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (209,733) | (48,925) | - | (258,658) |
| Buildings and improvements | (607,104) | (252,225) | - | (859,329) |
| Furniture and equipment | (95,865) | (25,315) | - | (121,180) |
| Vehicles | <u>(446,103)</u> | <u>(68,547)</u> | <u>-</u> | <u>(514,650)</u> |
| Total accumulated depreciation | <u>(1,358,805)</u> | <u>(395,012)</u> | <u>-</u> | <u>(1,753,817)</u> |
| Governmental activities capital assets, net | <u>\$ 9,777,511</u> | <u>\$ 16,810,413</u> | <u>\$ (6,624,547)</u> | <u>\$ 19,963,377</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|-------------------|
| <u>Instruction:</u> | |
| Regular | \$ 291,183 |
| Vocational | 855 |
| <u>Support Services:</u> | |
| Administration | 9,012 |
| Operations and maintenance | 4,558 |
| Pupil transportation | 68,547 |
| Extracurricular activities | 16,370 |
| Food service operations | <u>4,487</u> |
| Total depreciation expense | <u>\$ 395,012</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - LONG-TERM OBLIGATIONS

- A. The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased \$17,203 from \$346,005 to \$363,208 due to the implementation of GASB Interpretation No. 6 and due to fund reclassifications described in Note 3.A. In addition, pension obligations of \$55,745 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003 was a decrease of \$38,542 from \$4,406,750 to \$4,368,208. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

| | Balance Outstanding <u>July 1, 2003</u> | <u>Additions</u> | <u>Reductions</u> | Balance Outstanding <u>June 30, 2004</u> | Amounts Due in <u>One Year</u> |
|---|---|----------------------|-------------------------|--|--------------------------------------|
| Governmental Activities: | | | | | |
| Classroom Facilities Improvement | | | | | |
| Bonds, 3.4%-5.7%, 4/1/04-12/1/19 | \$ 4,005,000 | \$ - | \$ (110,000) | \$ 3,895,000 | \$ 120,000 |
| Compensated absences | <u>363,208</u> | <u>76,302</u> | <u>(28,140)</u> | <u>411,370</u> | <u>40,616</u> |
| Total long-term obligations, governmental activities | <u>\$ 4,368,208</u> | <u>\$ 76,302</u> | <u>\$ (138,140)</u> | <u>\$ 4,306,370</u> | <u>\$ 160,616</u> |

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

- B. Principal and interest requirements to retire the classroom facilities improvements bonds outstanding at June 30, 2004 are as follows:

| <u>Year Ending June 30</u> | <u>Principal on Bonds</u> | <u>Interest on Bonds</u> | <u>Total</u> |
|--------------------------------|-------------------------------|------------------------------|-------------------------|
| 2005 | \$ 120,000 | \$ 189,445 | \$ 309,445 |
| 2006 | 130,000 | 184,885 | 314,885 |
| 2007 | 145,000 | 179,945 | 324,945 |
| 2008 | 155,000 | 174,145 | 329,145 |
| 2009 | 170,000 | 167,790 | 337,790 |
| 2010 - 2014 | 1,105,000 | 712,222 | 1,817,222 |
| 2015 - 2019 | 1,655,000 | 364,548 | 2,019,548 |
| 2020 | <u>415,000</u> | <u>20,335</u> | <u>435,335</u> |
| Total | <u>\$ 3,895,000</u> | <u>\$ 1,993,315</u> | <u>\$ 5,888,315</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

C. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$5,629,162 and an unvoted debt margin of \$103,324.

NOTE 9 - COMPENSATED ABSENCES

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

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

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

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

| <u>Coverage</u> | <u>Insurer</u> | <u>Limits of Coverage</u> | <u>Deductible</u> |
|--------------------------------|----------------|---------------------------|-------------------|
| General liability: | SORSA | | |
| Each occurrence | | \$ 5,000,000 | \$ 0 |
| Aggregate | | 5,000,000 | 0 |
| Property/building and contents | SORSA | 34,500,000 | 1,000 |
| Fleet: | | | |
| Comprehensive | SORSA | 2,000,000 | 250 |
| Collision | | 2,000,000 | 250 |
| Umbrella liability | SORSA | 5,000,000 | 0 |

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - RISK MANAGEMENT - (Continued)

B. Fidelity Bond

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

C. Workers' Compensation

For fiscal year 2004, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

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

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

The District has elected to provide employee medical, prescription, and dental benefits through a self-insurance program. The District maintains a self-insurance fund through their fiscal agent, Ohio Mid Eastern Regional Service Agency (OME-RESA), to account for and finance its uninsured risk of loss in this program. This plan provides a medical plan with a \$200.00 family and \$100.00 single deductible and a dental plan with a \$50.00 family and \$25.00 single deductible. A third party administrator, Self-Funded Plans, Inc., reviews all medical and dental claims which are then paid by the District. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$50,000. Aggregate stop-loss claims are covered based on the aggregate stop-loss factor, times total plan population, times twelve months. The aggregate stop-loss factor is \$393.74. A stop-loss internal pooling insurance contract with OME-RESA covers specific liability claims between \$30,000 and \$50,000.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - RISK MANAGEMENT - (Continued)

The District pays to the self-insurance fund a premium based on one of five benefit option combinations selected by the employee. Employees are responsible for a portion of this premium based on job classification and length of workday as outlined in their negotiated agreement. Premiums for medical coverage are \$842.81 per month for each employee with family coverage and \$382.48 per month for each employee with individual coverage. The premium for dental coverage is \$47.77 monthly for each employee with family or individual coverage. The premium for life insurance is \$2.50 monthly for each \$20,000 in coverage. The premium for vision coverage is \$13.95 per month for each employee with family coverage and \$6.25 per month for each employee with individual coverage. All premiums are paid by the fund that pays the salary for the employee. The claims liability of \$57,853 reported in the internal service fund at June 30, 2004 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

| <u>Fiscal Year</u> | <u>Beginning Balance</u> | <u>Claims Incurred</u> | <u>Claims Payments</u> | <u>Ending Balance</u> |
|--------------------|------------------------------|----------------------------|----------------------------|---------------------------|
| 2004 | \$ 58,008 | \$ 759,772 | \$ (759,927) | \$ 57,853 |
| 2003 | 96,966 | 727,649 | (766,607) | 58,008 |

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute 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 43215-3476, 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 of 14% for 2004, 9.09% was the portion 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 to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$77,669, \$67,332, and \$46,200, respectively; 55.70% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$34,410 represents the unpaid contribution for fiscal year 2004.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%; 13% 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 to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$450,946, \$432,410, and \$336,462, respectively; 83.08% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$76,295, represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal year 2004 were \$40 made by the District and \$3,692 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$34,688 during fiscal 2004.

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

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

For this fiscal year, employer contributions to fund health care benefits were 4.91% 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 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$65,546 during the 2004 fiscal year.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (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 | \$ (140,441) |
| Net adjustment for revenue accruals | 66,344 |
| Net adjustment for expenditure accruals | (335,951) |
| Net adjustment for other sources/uses | (42,347) |
| Adjustment for encumbrances | 49,487 |
| GAAP basis | \$ (402,908) |

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. State School Funding Decision

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 15 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

| | <u>Textbooks</u> | <u>Capital Acquisition</u> | <u>BWC Refunds</u> | <u>Designated for Budget Stabilization</u> |
|--|---------------------|--------------------------------|------------------------|--|
| Set-aside cash balance as of June 30, 2003 | \$ (107,037) | \$ (3,980,093) | \$ 32,439 | \$ 46,511 |
| Current year set-aside requirement | 147,282 | 147,282 | - | - |
| Qualifying disbursements | <u>(304,033)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ (263,788)</u> | <u>\$ (3,832,811)</u> | <u>\$ 32,439</u> | <u>\$ 46,511</u> |
| Cash balance carried forward to FY 2005 | <u>\$ (263,788)</u> | <u>\$ (3,832,811)</u> | <u>\$ 32,439</u> | <u>\$ 46,511</u> |

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

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbook reserve and this extra amount may be used to reduce the set-aside requirement for future years. The District issued bonds to finance construction of new school facilities and this amount may be used to reduce the capital acquisition set-aside requirement. The budget stabilization has been reduced to \$0 due to the District's negative fund balance.

A schedule of the restricted assets at June 30, 2004 follows:

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

NOTE 16 - GOING CONCERN ISSUE

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America which contemplates continuation of the District's general fund as a going concern. The District has seen a deteriorating fund balance in the general fund. The District is currently projecting a negative balance at June 30, 2006 of approximately \$93,000. The District is attempting to pass a levy and is working on a cost-cutting plan.

NOTE 17 - SUBSEQUENT EVENT

The District issued \$250,000 in current tax revenue notes on April 13, 2005 at an interest rate of 3%. The four month notes were issued to meet payroll demands in fiscal year 2005.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 18 - CONTRACTUAL COMMITMENT

| <u>Project</u> | <u>Total Cost</u> | <u>Expended to June 30, 2004</u> | <u>Estimated Balance at June 30, 2004</u> |
|--|-------------------------|--------------------------------------|---|
| Buerher Group | \$ 1,061,089 | \$ 1,002,809 | \$ 58,280 |
| Central Fire Protection Company, Inc. | 64,767 | 54,013 | 10,754 |
| Guenther Mechanical Inc. | 643,980 | 470,194 | 173,786 |
| Kidron Electric & Mechanical Contractors | 516,900 | 400,312 | 116,588 |
| Northern Valley Contractors, Inc. | 1,407,400 | 1,380,874 | 26,526 |
| Stonecreek Interior Sytsems, Inc. | 118,200 | 65,078 | 53,122 |
| Studer-Obringer Construction Co. | 1,292,000 | 1,240,266 | 51,734 |
| The Knoch Corporation | <u>1,287,380</u> | <u>780,394</u> | <u>506,986</u> |
| Total | <u>\$ 6,391,716</u> | <u>\$ 5,393,940</u> | <u>\$ 997,776</u> |

SUPPLEMENTAL DATA

**MAPLETON LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

| FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE | CFDA NUMBER | PASS-THROUGH GRANT NUMBER | (D) CASH FEDERAL RECEIPTS | OTHER FEDERAL RECEIPTS | (D) CASH FEDERAL DISBURSEMENTS | OTHER FEDERAL DISBURSEMENTS |
|--|----------------|---------------------------------|------------------------------------|------------------------------|---|-----------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION: | | | | | | |
| Nutrition Cluster: | | | | | | |
| (A), (B) Food Distribution | 10.550 | N/A | \$ - | \$ 33,151 | \$ - | \$ 33,151 |
| (A), (C) National School Lunch | 10.555 | 045831-LL-P4-2003 | 22,297 | - | 22,297 | - |
| (A), (C) National School Lunch | 10.555 | 045831-LL-P4-2004 | 75,336 | - | 75,336 | - |
| Total U.S. Department of Agriculture and Nutrition Cluster | | | <u>97,633</u> | <u>33,151</u> | <u>97,633</u> | <u>33,151</u> |
| U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION: | | | | | | |
| Title I - Grants to Local Educational Agencies | 84.010 | 045831-C1-S1 2002 | - | | 30,334 | |
| Title I - Grants to Local Educational Agencies | 84.010 | 045831-C1-S1 2004 | 135,756 | | 135,756 | |
| Total Title I | | | <u>135,756</u> | | <u>166,090</u> | |
| Special Education: Grants to States | 84.027 | 045831-6B-SF-2004P | 132,094 | | 132,094 | |
| Safe and Drug-Free Schools and Communities- State Grants | 84.186 | 045831-DR-S1-2004 | 5,819 | | 4,367 | |
| State Grants for Innovative Programs | 84.298 | 045831-C2-S1-2003 | 2,299 | | 2,299 | |
| State Grants for Innovative Programs | 84.298 | 045831-C2-S1-2004 | 5,611 | | 5,064 | |
| Total State Grants for Innovative Programs | | | <u>7,910</u> | | <u>7,363</u> | |
| Technology Literacy Challenge | 84.318 | 045831-CR-S1 2003 | 3,675 | | 3,675 | |
| School Renovation, IDEA and Technology | 84.352A | 045831-AT-S3-2002 | - | | 1,728 | |
| Improving Teacher Quality- State Grants | 84.367 | 045831-TR-S1 2003 | 100 | | 13,413 | |
| Improving Teacher Quality- State Grants | 84.367 | 045831-TR-S1 2004 | 49,371 | | 49,371 | |
| Total Improving Teacher Quality- State Grants | | | <u>49,471</u> | | <u>62,784</u> | |
| Total U.S. Department of Education | | | <u>334,725</u> | | <u>378,101</u> | |
| Total Federal Financial Assistance | | | <u>\$ 432,358</u> | <u>\$ 33,151</u> | <u>\$ 475,734</u> | <u>\$ 33,151</u> |

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

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TRIMBLE, JULIAN & GRUBE, INC.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mapleton Local School District as of and for the fiscal year ended June 30, 2004, which collectively comprise the District’s basic financial statements and have issued our report thereon dated February 17, 2005. During the fiscal year ended June 30, 2004, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. In addition, capital assets have been restated due to changes in its capital asset policy, the reclassification of funds, and errors and omissions as disclosed in Note 7.A 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 the District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated February 17, 2005.

Board of Education
Mapleton Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2004-MLSD-001. We also noted a certain immaterial instance of noncompliance that we have reported to the management of the District in a separate letter dated February 17, 2005.

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



Trimble, Julian & Grube, Inc.
February 17, 2005

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

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

Compliance

We have audited the compliance of the Mapleton Local School District, Ashland County, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each major federal program for the fiscal year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. During the fiscal year ended June 30, 2004, the Mapleton Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. In addition, capital assets have been restated due to changes in its capital asset policy, the reclassification of funds, and errors and omissions as disclosed in Note 7.A. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

Board of Education
Mapleton Local School District

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the fiscal year ended June 30, 2004.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Trimble, Julian & Grube, Inc.
February 17, 2005

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| <i>(d)(1)(i)</i> | <i>Type of Financial Statement Opinion</i> | Unqualified |
| <i>(d)(1)(ii)</i> | <i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(ii)</i> | <i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iii)</i> | <i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i> | Yes |
| <i>(d)(1)(iv)</i> | <i>Were there any material internal control weakness conditions reported for major federal programs?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i> | No |
| <i>(d)(1)(v)</i> | <i>Type of Major Program's Compliance Opinion</i> | Unqualified |
| <i>(d)(1)(vi)</i> | <i>Are there any reportable findings under § .510?</i> | No |
| <i>(d)(1)(vii)</i> | <i>Major Programs:</i> | Special Education: Grants to States, CFDA #84.027; Title I; CFDA #84.010 |
| <i>(d)(1)(viii)</i> | <i>Dollar Threshold: Type A/B Programs</i> | Type A: >\$300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | <i>Low Risk Auditee?</i> | No |

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

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

| | |
|----------------|---------------|
| Finding Number | 2004-MLSD-001 |
|----------------|---------------|

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that the Mapleton Local School District had expenditures exceeding appropriations in the following fund:

Major Funds

| <u>Major Funds:</u> | <u>Excess</u> |
|-----------------------|---------------|
| General Fund | \$ 49,488 |
| Permanent Improvement | 9,873 |
| Classroom Facilities | 1,364,358 |

Nonmajor Funds:

| | |
|---------------------------|--------|
| Public School | 10,800 |
| Classroom Facilities | 1,200 |
| District Managed Activity | 9,205 |
| Ohio Reads | 3,485 |
| Summer Intervention | 6,605 |
| Education Technology | 546 |

With expenditures exceeding appropriations, the District is expending monies that have not been appropriated and approved by the Board of Education. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the District comply with the 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.

3. FINDINGS FOR FEDERAL AWARDS

None



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Betty Montgomery**

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**MAPLETON LOCAL SCHOOL DISTRICT
ASHLAND COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 5, 2005**