



**Auditor of State  
Betty Montgomery**



**MAPLEWOOD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO  
BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

TABLE OF CONTENTS

Independent Accountants' Report .....	1
Management's Discussion and Analysis .....	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund .....	19
Statement of Fiduciary Net Assets - Fiduciary Funds .....	20
Notes to the Basic Financial Statements.....	21 - 48
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	49

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Maplewood Local School District  
Trumbull County  
2414 Greenville Road N.E.  
Cortland, Ohio 44410

To The Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Maplewood Local School District, Trumbull County, Ohio (the District), as of and for the 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 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Maplewood Local School District, Trumbull County, Ohio, as of June 30, 2004, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and GASB Interpretation No.6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 2, 2006

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

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

The management's discussion and analysis of the Maplewood Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 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 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 decreased \$1,159,670 which represents a 5.07% decrease from 2003.
- General revenues accounted for \$7,695,448 in revenue or 90.19% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$837,065 or 9.81% of total revenues of \$8,532,513.
- The District had \$9,692,183 in expenses related to governmental activities; \$837,065 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,695,448 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$7,339,618 in revenues and other financing sources and \$8,248,332 in expenditures and other financing uses. During fiscal year 2004, the general fund's fund balance decreased \$908,714 from \$748,214 to a deficit of \$160,500.
- The District's classroom facilities fund had \$380,916 in revenues and other financing sources and \$1,189,608 in expenditures. During fiscal year 2004, the classroom facilities fund's fund balance decreased \$808,692 from \$987,010 to \$178,318.

**Using these Basic Financial Statements**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 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 and classroom facilities fund.

***Governmental Funds***

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

***Reporting the District's Fiduciary Responsibilities***

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

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

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

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-48 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>
<b><u>Assets</u></b>	
Current and other assets	\$ 3,628,091
Capital assets	<u>24,871,225</u>
Total assets	<u>28,499,316</u>
<b><u>Liabilities</u></b>	
Current liabilities	3,212,004
Long-term liabilities	<u>3,589,624</u>
Total liabilities	<u>6,801,628</u>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	22,096,216
Restricted	687,737
Unrestricted (deficit)	<u>(1,086,265)</u>
Total net assets	<u>\$ 21,697,688</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 \$21,697,688. Of this total, \$687,737 is restricted in use.

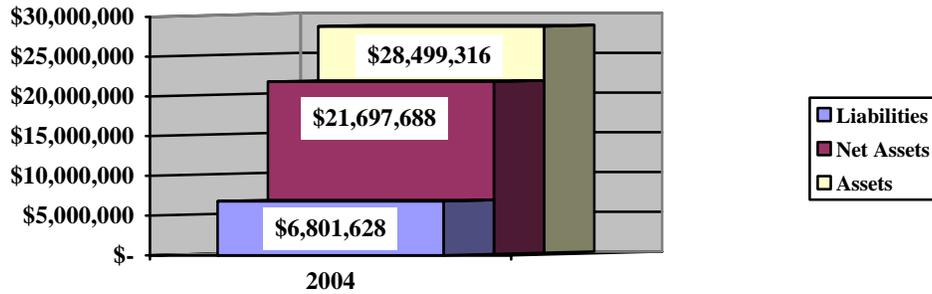
At year-end, capital assets represented 87.27% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$22,096,216. These capital assets are used 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.

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

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

A portion of the District's net assets, \$687,737, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$1,086,265.

**Governmental Activities**



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 <u>2004</u>
<b><u>Revenues</u></b>	
Program revenues:	
Charges for services and sales	\$ 403,763
Operating grants and contributions	386,818
Capital grants and contributions	46,484
General revenues:	
Property taxes	2,116,457
Grants and entitlements	5,418,292
Investment earnings	21,067
Other	<u>139,632</u>
 Total revenues	 <u>8,532,513</u>

**MAPLEWOOD LOCAL SCHOOL DISTRICT  
TRUMBULL 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>
<b><u>Expenses</u></b>	
Program expenses:	
Instruction:	
Regular	\$ 4,653,872
Special	753,044
Adult/continuing	2,313
Other	1,179
Support services:	
Pupil	376,396
Instructional staff	241,888
Board of education	26,008
Administration	713,519
Fiscal	250,618
Business	40,138
Operations and maintenance	1,207,409
Pupil transportation	455,105
Central	158,879
Food service operations	346,872
Operations of non-instructional services	44,864
Extracurricular activities	258,674
Interest and fiscal charges	<u>161,405</u>
Total expenses	<u>9,692,183</u>
Change in net assets	(1,159,670)
Net assets at beginning of year	<u>22,857,358</u>
Net assets at end of year	<u><u>\$ 21,697,688</u></u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$1,159,670. Total governmental expenses of \$9,692,183 were offset by program revenues of \$837,065 and general revenues of \$7,695,448. Program revenues supported 8.64% 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 88.31% of total governmental revenue.

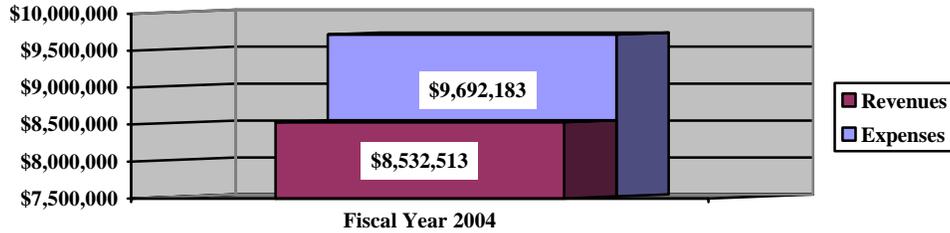
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,605,522 or 55.82% of total governmental expenses for fiscal 2004.

**MAPLEWOOD LOCAL SCHOOL DISTRICT  
TRUMBULL 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**

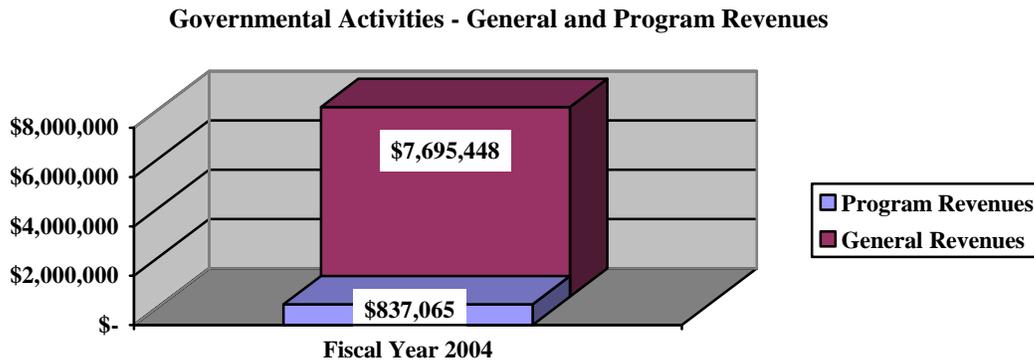
	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>		
Instruction:		
Regular	\$ 4,653,872	\$ 4,435,050
Special	753,044	652,368
Adult/continuing	2,313	2,313
Other	1,179	1,179
Support services:		
Pupil	376,396	376,396
Instructional staff	241,888	131,940
Board of education	26,008	26,008
Administration	713,519	677,683
Fiscal	250,618	250,618
Business	40,138	40,138
Operations and maintenance	1,207,409	1,203,219
Pupil transportation	455,105	448,266
Central	158,879	149,879
Food service operations	346,872	74,361
Operations of non-instructional services	44,864	43,647
Extracurricular activities	258,674	180,648
Interest and fiscal charges	161,405	161,405
<b>Total expenses</b>	<u>\$ 9,692,183</u>	<u>\$ 8,855,118</u>

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

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

The dependence upon tax and other general revenues for governmental activities is apparent, 94.09% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 91.36%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$318,386, which is lower than last year's total of \$2,497,034. 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 <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	<u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ (160,500)	\$ 748,214	\$ (908,714)	(121.45) %
Classroom Facilities	178,318	987,010	(808,692)	(81.93) %
Other Governmental	<u>300,568</u>	<u>761,810</u>	<u>(461,242)</u>	(60.55) %
Total	<u>\$ 318,386</u>	<u>\$ 2,497,034</u>	<u>\$ (2,178,648)</u>	(87.25) %

**General Fund**

The District's general fund balance decreased \$908,714 (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 increased expenditures and increased transfers out to other funds. Expenditures exceed revenues for fiscal year 2004 by \$786,698. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 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>
<b><u>Revenues</u></b>				
Taxes	\$ 1,713,770	\$ 1,624,339	\$ 89,431	5.51 %
Earnings on investments	15,197	20,883	(5,686)	(27.23) %
Intergovernmental	5,391,096	5,215,413	175,683	3.37 %
Other revenues	<u>212,072</u>	<u>197,460</u>	<u>14,612</u>	7.40 %
 Total	 <u>\$ 7,332,135</u>	 <u>\$ 7,058,095</u>	 <u>\$ 274,040</u>	 3.88 %
<b><u>Expenditures</u></b>				
Instruction	\$ 4,739,191	\$ 4,453,782	\$ 285,409	6.41 %
Support services	3,165,399	3,035,686	129,713	4.27 %
Non-instructional services	43,647	45,961	(2,314)	(5.03) %
Extracurricular activities	146,236	129,728	16,508	12.73 %
Debt service	<u>24,360</u>	<u>24,360</u>	<u>-</u>	- %
 Total	 <u>\$ 8,118,833</u>	 <u>\$ 7,689,517</u>	 <u>\$ 429,316</u>	 5.58 %

***Classroom Facilities Fund***

The District's classroom facilities fund had \$380,916 in revenues and other financing sources and \$1,189,608 in expenditures. The classroom facilities fund's fund balance decreased from \$987,010 to \$178,318.

***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 \$6,968,360 and final budgeted revenues and other financing sources were \$7,502,748. Actual revenues and other financing sources for fiscal 2004 was \$7,550,563. This represents a \$582,203 increase over original budgeted revenues. The increase is primarily due to an increase in intergovernmental revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$8,360,493 were increased to \$8,372,197 in the final appropriations. The actual budget basis expenditures for fiscal year 2004 totaled \$8,444,809, which was \$72,612 higher than the final budget appropriations.

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

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

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2004, the District had \$24,871,225 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

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

	Governmental Activities	
	2004	2003
Land	\$ 273,697	\$ 273,697
Land improvements	89,704	-
Building and improvements	23,063,350	1,773,100
Furniture and equipment	1,187,279	39,811
Vehicles	257,195	148,118
Construction in progress	-	21,582,490
 Total	 \$ 24,871,225	 \$ 23,817,216

The overall increase in capital assets of \$1,054,009 is due to capital outlays of \$1,472,419 exceeding depreciation expense of \$418,410 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 \$2,623,684 in general obligation bonds, \$222,089 in lease obligations. Of this total, \$193,280 is due within one year and \$2,652,493 is due within greater than one year. The following table summarizes the bonds and leases outstanding.

**Outstanding Debt, at Year End**

	Governmental	Governmental
	Activities	Activities
	2004	2003
General obligation bonds	\$ 2,623,684	\$ 2,703,297
Lease obligations	222,089	69,512
Total	\$ 2,845,773	\$ 2,772,809

At June 30, 2004, the District's overall legal debt margin was \$4,881,958, and an unvoted debt margin of \$80,188.

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

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

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

**Current Financial Related Activities**

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

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

The board's five-year projections predict a nominal cash balance at the end of FY2005 and indicate that the District will require additional levy millage shortly. Both certified and classified contracts expire in 2005. Salary or benefit increases would play a major role in the timing of any new request for additional millage. Other factors involve the recent completion of Ohio School Facilities Commission project and its increased operating costs.

There are several significant legislative and judicial actions that may impact the Maplewood Local School District. In March 1997, the Ohio Supreme Court ruled that the State of Ohio was operating an unconstitutional educational system, providing neither an "adequate" nor "equitable" funding system as defined by the Ohio Constitution. Changes to the State's School Foundation formula continue to erode revenue to the district, causing state revenue to flat-line or even decline slightly overall. Increases in property tax revenues that do occur are offset by decreases in state foundation payments due to charge offs.

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

**Contacting the District's Financial Management**

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

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 1,289,364
Receivables:	
Taxes . . . . .	2,259,980
Accounts . . . . .	10,109
Intergovernmental . . . . .	32,346
Prepayments . . . . .	15,345
Materials and supplies inventory . . . . .	20,947
Capital assets:	
Land . . . . .	273,697
Depreciable capital assets, net . . . . .	24,597,528
Capital assets, net. . . . .	<u>24,871,225</u>
 Total assets. . . . .	 <u>28,499,316</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	50,585
Contracts payable. . . . .	137,374
Accrued wages and benefits . . . . .	704,388
Pension obligation payable. . . . .	191,766
Intergovernmental payable . . . . .	11,467
Deferred revenue . . . . .	2,106,145
Accrued interest payable . . . . .	10,279
Long-term liabilities:	
Due within one year. . . . .	263,604
Due within more than one year . . . . .	3,326,020
 Total liabilities . . . . .	 <u>6,801,628</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	22,096,216
Restricted for:	
Capital projects . . . . .	307,130
Debt service. . . . .	101,834
Other purposes . . . . .	278,773
Unrestricted (deficit) . . . . .	<u>(1,086,265)</u>
 Total net assets . . . . .	 <u>\$ 21,697,688</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 4,653,872	\$ 130,469	\$ 68,269	\$ 20,084	\$ (4,435,050)
Special . . . . .	753,044	-	100,676	-	(652,368)
Adult/Continuing . . . . .	2,313	-	-	-	(2,313)
Other . . . . .	1,179	-	-	-	(1,179)
Support services:					
Pupil . . . . .	376,396	-	-	-	(376,396)
Instructional staff . . . . .	241,888	-	83,548	26,400	(131,940)
Board of education . . . . .	26,008	-	-	-	(26,008)
Administration . . . . .	713,519	-	35,836	-	(677,683)
Fiscal . . . . .	250,618	-	-	-	(250,618)
Business . . . . .	40,138	-	-	-	(40,138)
Operations and maintenance . . . . .	1,207,409	-	4,190	-	(1,203,219)
Pupil transportation . . . . .	455,105	6,839	-	-	(448,266)
Central . . . . .	158,879	-	9,000	-	(149,879)
Operation of non-instructional services:					
Food service operations . . . . .	346,872	188,429	84,082	-	(74,361)
Other non-instructional services . . . . .	44,864	-	1,217	-	(43,647)
Extracurricular activities . . . . .	258,674	78,026	-	-	(180,648)
Interest and fiscal charges . . . . .	161,405	-	-	-	(161,405)
<b>Total governmental activities . . . . .</b>	<b>\$ 9,692,183</b>	<b>\$ 403,763</b>	<b>\$ 386,818</b>	<b>\$ 46,484</b>	<b>(8,855,118)</b>

**General Revenues:**

Property taxes levied for:

General purposes . . . . .	1,719,709
Special revenue . . . . .	32,345
Debt service . . . . .	210,182
Capital projects . . . . .	154,221
Grants and entitlements not restricted to specific programs . . . . .	5,418,292
Investment earnings . . . . .	21,067
Miscellaneous . . . . .	139,632
<b>Total general revenues . . . . .</b>	<b>7,695,448</b>
Change in net assets . . . . .	(1,159,670)
<b>Net assets at beginning of year (restated).</b>	<b>22,857,358</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 21,697,688</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 145,425	\$ 315,692	\$ 383,811	\$ 844,928
Receivables:				
Taxes . . . . .	1,839,744	-	420,236	2,259,980
Accounts . . . . .	6,673	-	3,436	10,109
Intergovernmental . . . . .	-	-	32,346	32,346
Interfund receivable . . . . .	34,646	-	-	34,646
Advances to other funds . . . . .	21,904	-	-	21,904
Prepayments . . . . .	15,345	-	-	15,345
Materials and supplies inventory . . . . .	13,280	-	7,667	20,947
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	444,436	-	-	444,436
Total assets . . . . .	<u>\$ 2,521,453</u>	<u>\$ 315,692</u>	<u>\$ 847,496</u>	<u>\$ 3,684,641</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 43,728	\$ -	\$ 6,857	\$ 50,585
Contracts payable . . . . .	-	137,374	-	137,374
Accrued wages and benefits . . . . .	649,165	-	55,223	704,388
Compensated absences payable . . . . .	37,966	-	-	37,966
Pension obligation payable . . . . .	109,584	-	9,360	118,944
Intergovernmental payable . . . . .	10,720	-	747	11,467
Interfund payable . . . . .	-	-	34,646	34,646
Advances from other funds . . . . .	-	-	21,904	21,904
Deferred revenue . . . . .	1,830,790	-	418,191	2,248,981
Total liabilities . . . . .	<u>2,681,953</u>	<u>137,374</u>	<u>546,928</u>	<u>3,366,255</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	-	-	66,708	66,708
Reserved for materials and supplies inventory . . . . .	13,280	-	7,667	20,947
Reserved for prepayments . . . . .	15,345	-	-	15,345
Reserved for property tax unavailable for appropriation . . . . .	8,954	-	2,045	10,999
Reserved for budget stabilization . . . . .	300,530	-	-	300,530
Reserved for advances . . . . .	21,904	-	-	21,904
Reserved for debt service . . . . .	-	-	96,839	96,839
Reserved for instructional materials . . . . .	143,906	-	-	143,906
Unreserved, undesignated, (deficit) reported in:				
General fund . . . . .	(664,419)	-	-	(664,419)
Special revenue funds . . . . .	-	-	62,234	62,234
Capital projects funds . . . . .	-	178,318	65,075	243,393
Total fund balances (deficit) . . . . .	<u>(160,500)</u>	<u>178,318</u>	<u>300,568</u>	<u>318,386</u>
Total liabilities and fund balances . . . . .	<u>\$ 2,521,453</u>	<u>\$ 315,692</u>	<u>\$ 847,496</u>	<u>\$ 3,684,641</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

<b>Total governmental fund balances</b>		\$ 318,386
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		24,871,225
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 142,836	
Total		142,836
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	705,885	
Pension obligation payable	72,822	
Asbestos loan obligation payable	28,985	
Capital lease obligation payable	50,008	
Lease purchase obligation payable	172,081	
General obligation bonds payable	2,594,699	
Accrued interest payable	10,279	
Total		(3,634,759)
<b>Net assets of governmental activities</b>		\$ 21,697,688

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 1,713,770	\$ -	\$ 396,483	\$ 2,110,253
Tuition. . . . .	91,733	-	-	91,733
Transportation fees. . . . .	6,839	-	-	6,839
Earnings on investments. . . . .	15,197	5,870	-	21,067
Charges for services. . . . .	-	-	188,429	188,429
Extracurricular. . . . .	-	-	78,026	78,026
Classroom materials and fees. . . . .	16,023	-	20,704	36,727
Other local revenues. . . . .	97,477	642	36,039	134,158
Intergovernmental - State. . . . .	5,330,909	-	130,734	5,461,643
Intergovernmental - Federal . . . . .	60,187	-	329,764	389,951
<b>Total revenue . . . . .</b>	<b>7,332,135</b>	<b>6,512</b>	<b>1,180,179</b>	<b>8,518,826</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,157,989	-	112,021	4,270,010
Special. . . . .	577,710	-	166,006	743,716
Adult/Continuing. . . . .	2,313	-	-	2,313
Other. . . . .	1,179	-	-	1,179
Support services:				
Pupil. . . . .	376,363	-	-	376,363
Instructional staff . . . . .	116,304	-	127,640	243,944
Board of education . . . . .	26,540	-	-	26,540
Administration. . . . .	641,021	-	54,057	695,078
Fiscal . . . . .	239,943	-	9,263	249,206
Business . . . . .	39,953	-	-	39,953
Operations and maintenance. . . . .	1,164,921	-	40,817	1,205,738
Pupil transportation . . . . .	411,655	-	-	411,655
Central. . . . .	148,699	-	9,000	157,699
Operation of non-instructional services:				
Food service operations . . . . .	-	-	309,915	309,915
Other non-instructional services. . . . .	43,647	-	1,217	44,864
Extracurricular activities. . . . .	146,236	-	110,480	256,716
Facilities acquisition and construction . . . . .	-	1,189,608	172,745	1,362,353
Capital outlay. . . . .	-	-	218,901	218,901
Debt service:				
Principal retirement . . . . .	19,504	-	146,820	166,324
Interest and fiscal charges . . . . .	4,856	-	136,535	141,391
<b>Total expenditures . . . . .</b>	<b>8,118,833</b>	<b>1,189,608</b>	<b>1,615,417</b>	<b>10,923,858</b>
Excess of revenues under expenditures . . . . .	(786,698)	(1,183,096)	(435,238)	(2,405,032)
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	374,404	129,499	503,903
Transfers (out). . . . .	(129,499)	-	(374,404)	(503,903)
Sale of capital assets. . . . .	7,483	-	-	7,483
Lease purchase transaction. . . . .	-	-	218,901	218,901
<b>Total other financing sources (uses) . . . . .</b>	<b>(122,016)</b>	<b>374,404</b>	<b>(26,004)</b>	<b>226,384</b>
Net change in fund balances . . . . .	(908,714)	(808,692)	(461,242)	(2,178,648)
<b>Fund balances at beginning of year (restated) . . . . .</b>				
	748,214	987,010	761,810	2,497,034
<b>Fund balances (deficit) at end of year . . . . .</b>	<b>\$ (160,500)</b>	<b>\$ 178,318</b>	<b>\$ 300,568</b>	<b>\$ 318,386</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

<b>Net change in fund balances - total governmental funds</b>	\$	(2,178,648)
<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 (\$1,472,419) exceeds depreciation expense (\$418,410) in the current period.		1,054,009
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		6,204
Repayment of bond, loan and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		166,324
Proceeds of lease agreements are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(218,901)
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		(20,014)
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.		31,356
		31,356
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>(1,159,670)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT IN 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>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 1,588,491	\$ 1,710,308	\$ 1,721,208	\$ 10,900
Tuition. . . . .	90,284	97,208	97,828	620
Transportation fees. . . . .	6,312	6,796	6,839	43
Earnings on investments. . . . .	15,844	17,059	17,168	109
Classroom materials and fees . . . . .	12,135	13,066	13,149	83
Other local revenues . . . . .	2,449	2,637	2,654	17
Intergovernmental - State . . . . .	4,919,857	5,297,150	5,330,909	33,759
Intergovernmental - Federal. . . . .	59,653	64,228	64,637	409
<b>Total revenue . . . . .</b>	<b>6,695,025</b>	<b>7,208,452</b>	<b>7,254,392</b>	<b>45,940</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,120,277	4,126,045	4,161,828	(35,783)
Special. . . . .	574,280	575,084	580,072	(4,988)
Adult/continuing. . . . .	2,301	2,304	2,324	(20)
Other. . . . .	1,918	1,921	1,938	(17)
Support services:				
Pupil. . . . .	372,279	372,800	376,033	(3,233)
Instructional staff . . . . .	116,836	117,000	118,015	(1,015)
Board of education . . . . .	35,005	35,054	35,358	(304)
Administration. . . . .	628,496	629,376	634,835	(5,459)
Fiscal . . . . .	230,781	231,104	233,108	(2,004)
Business . . . . .	64,211	64,301	64,859	(558)
Operations and maintenance. . . . .	1,169,380	1,171,017	1,181,174	(10,157)
Pupil transportation . . . . .	416,676	417,259	420,878	(3,619)
Central. . . . .	133,472	133,659	134,818	(1,159)
Operation of non-instructional services . . . . .	43,409	43,470	43,847	(377)
Extracurricular activities. . . . .	144,568	144,770	146,026	(1,256)
<b>Total expenditures . . . . .</b>	<b>8,053,889</b>	<b>8,065,164</b>	<b>8,135,113</b>	<b>(69,949)</b>
Excess of revenues under expenditures. . . . .	(1,358,864)	(856,712)	(880,721)	(24,009)
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	88,777	95,585	96,194	609
Transfers in. . . . .	134,328	144,629	145,551	922
Transfers (out) . . . . .	(272,304)	(272,685)	(275,050)	(2,365)
Advances in. . . . .	43,324	46,646	46,943	297
Advances (out) . . . . .	(34,300)	(34,348)	(34,646)	(298)
Proceeds from sale of capital assets. . . . .	6,906	7,436	7,483	47
<b>Total other financing sources (uses) . . . . .</b>	<b>(33,269)</b>	<b>(12,737)</b>	<b>(13,525)</b>	<b>(788)</b>
Net change in fund balance . . . . .	(1,392,133)	(869,449)	(894,246)	(24,797)
<b>Fund balance at beginning of year. . . . .</b>	<b>1,172,491</b>	<b>1,172,491</b>	<b>1,172,491</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>274,565</b>	<b>274,565</b>	<b>274,565</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 54,923</b>	<b>\$ 577,607</b>	<b>\$ 552,810</b>	<b>\$ (24,797)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2004

		<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$	41,637
<b>Receivables:</b>		
Accounts . . . . .		949
Total assets. . . . .	\$	42,586
<b>Liabilities:</b>		
Accounts payable. . . . .	\$	224
Due to students . . . . .		42,362
Total liabilities . . . . .	\$	42,586

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THIS PAGE IS INTENTIONALLY LEFT BLANK**

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

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

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

The District is the 474<sup>th</sup> largest by enrollment among the 614 public school districts in the state. It currently operates one elementary school and one comprehensive middle/high school. The District is staffed by 61 non-certified and 76 certificated personnel to provide services to approximately 1,093 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organization Are Component Units". The reporting entity is composed of the primary government, component units and other 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, preschool and student related activities of the District.

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

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Northeast Ohio Management Information Network (NEOMIN)

NEOMIN is a jointly governed organization among 28 school districts and 2 county educational service centers. NEOMIN was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions among member districts. Each of the governments of these schools supports NEOMIN based upon a per pupil charge, dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contribution. NEOMIN is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in NEOMIN because a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information is available from Lori Simione, Treasurer for the Trumbull County Educational Service Center, (fiscal agent), at 347 N. Park Avenue, Warren, Ohio 44481.

Trumbull Career and Technical Center

The Trumbull Career and Technical Center is a jointly governed organization among fifteen school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write the Trumbull Career and Technical Center, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

North East Ohio Instructional Media Center (NEOIMC)

NEOIMC is a jointly governed organization among 45 school districts. The organization was formed for the purpose of providing quality films and/or other media to support the curricula of the District. Each member pays a monthly premium based on use of the media materials. NEOIMC is governed by an advisory committee made up of a member from a parochial school, a JVS, one county superintendent from each participating county, one city superintendent, and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

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

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

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

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

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

Region 12 Professional Development Center (Center)

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

The District is also a participant in two public entity risk sharing pool, discussed in Note 12.

**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 Facilities Fund* - The classroom facilities capital projects fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

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 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 proprietary funds.

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

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

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

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

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

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

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 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 Trumbull County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The 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. Although the District's legal level of control is at the fund level, the District will report at the object level on its General Fund Budgetary Statement. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances 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.

**MAPLEWOOD LOCAL SCHOOL DISTRICT  
TRUMBULL 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 plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting.

**F. Cash and Investments**

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

During fiscal year 2004, investments were limited to certificates of deposit, which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$15,197, which includes \$9,305 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.

**H. Capital Assets**

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

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

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

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2004, the District increased its capitalization threshold from \$500 to \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

**J. Compensated Absences**

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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.

**K. Accrued Liabilities and Long-Term Obligations**

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

**L. Fund Balance Reserves**

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

**M. Net Assets**

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

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

**N. Prepayments**

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

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

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

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

**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 textbook reserve and budget stabilization. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 17.

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

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

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

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

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. A prior period adjustment was made for the asbestos removal loan payable. The adjustment reflects the reclassification of the loan from a fund liability to a long-term obligation of the District.

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 Facilities</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ 741,325	\$ 987,010	\$ 738,948	\$ 2,467,283
Fund reclassifications	-	-	(11,123)	(11,123)
Asbestos removal loan	-	-	33,985	33,985
Implementation of GASB Interpretation No. 6	<u>6,889</u>	<u>-</u>	<u>-</u>	<u>6,889</u>
Restated fund balance, June 30, 2003	<u>\$ 748,214</u>	<u>\$ 987,010</u>	<u>\$ 761,810</u>	<u>\$ 2,497,034</u>

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

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

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

	<u>Total</u>
Restated fund balance, June 30, 2003	\$ 2,497,034
GASB 34 adjustments:	
Long-term (deferred) assets	136,632
Capital assets	23,817,216
Accrued interest payable	(10,652)
Pension obligation	(73,180)
Long-term liabilities	(3,509,692)
Governmental activities net assets, June 30, 2003	\$ 22,857,358

**B. Deficit Fund Balances**

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

	<u>Deficit</u>
<u>Major Funds</u>	
General	\$ 160,500
<u>Nonmajor Funds</u>	
Food Service Operations	13,036
Management Information Systems	17
DPIA	4,754
Ohio Reads	3
Title VI-B	14,356
Title I	42,040
Reducing Class Size	5,794
Miscellaneous Federal Grants	1
Emergency Building Repair	750

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

**C. Legal Compliance**

The following fund had expenditures and encumbrances in excess of appropriation at June 30, 2004, contrary to Ohio Revised Code Section 5705.41.

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess Expenditures</u>
<u>Major Fund</u>			
General Fund	\$ 8,109,756	\$ 8,179,705	\$ (69,949)

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

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

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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 Cash Equivalents". 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 two-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;
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 the exceed 25% of the interim monies available for investment at any one time; and

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

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

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

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.

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 \$1,331,001 and the bank balance was \$1,405,079. Of the bank balance:

1. \$100,000 was covered by federal depository insurance deposited with the District; and
2. \$1,304,079 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.

For purposes of GASB Statement No. 3, the District had no investments at year-end.

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 34,646

- B. Interfund balances consist of the following long-term advances to/from other funds, as reported on the fund financial statements at June 30, 2004:

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

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

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

**NOTE 5 - INTERFUND TRANSACTIONS – (Continued)**

- C. Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 129,499
Transfers from Nonmajor Governmental funds to:	
Classroom Facilities	374,404

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 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 Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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.

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

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

**NOTE 6 - PROPERTY TAXES - (Continued)**

Available tax advances at June 30, 2004 totaled \$8,954 in the general fund, \$1,092 in the debt service fund, \$788 in the Permanent Improvements capital projects fund, and \$165 in the Classroom Facilities special revenue fund. Available tax advances at June 30, 2003 totaled \$16,392 in the general fund, \$2,084 in the debt service fund, \$1,503 in the Permanent Improvements capital projects fund, and \$319 in the Classroom Facilities special revenue fund.

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

The assessed values upon which the fiscal year 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 public utility/minerals real estate	\$ 72,791,170	91.90	\$ 73,627,640	91.82
Commercial/industrial real estate	2,059,760	2.60	2,082,920	2.60
Public utility personal	3,421,660	4.30	3,414,720	4.26
Tangible personal property	<u>956,971</u>	<u>1.20</u>	<u>1,063,147</u>	<u>1.32</u>
Total	<u>\$ 79,229,561</u>	<u>100.00</u>	<u>\$ 80,188,427</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 46.30		\$ 45.80	

**NOTE 7 - RECEIVABLES**

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

**Governmental Activities:**

Taxes	\$ 2,259,980
Accounts	10,109
Intergovernmental	<u>32,346</u>
Total	<u>\$ 2,302,435</u>

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

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

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

**NOTE 8 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy and to include land values not reported in the prior year. See Note 2.H. for detail.

	<u>Balance</u> <u>6/30/03</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>6/30/03</u>
<b>Governmental Activities</b>			
Capital assets, not being depreciated:			
Land	\$ 273,697	\$ -	\$ 273,697
Construction-in-progress	<u>21,582,490</u>	<u>-</u>	<u>21,582,490</u>
Total capital assets, not being depreciated	<u>21,856,187</u>	<u>-</u>	<u>21,856,187</u>
Capital assets, being depreciated:			
Buildings and improvements	1,706,653	77,993	1,784,646
Furniture and equipment	1,899,699	(1,652,249)	247,450
Vehicles	<u>923,346</u>	<u>(544,014)</u>	<u>379,332</u>
Total capital assets, being depreciated	<u>4,529,698</u>	<u>(2,118,270)</u>	<u>2,411,428</u>
<i>Less: accumulated depreciation:</i>	<u>-</u>	<u>(450,399)</u>	<u>(450,399)</u>
Governmental activities capital assets, net	<u>\$ 26,385,885</u>	<u>\$ (2,568,669)</u>	<u>\$ 23,817,216</u>

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

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

**NOTE 8 - CAPITAL ASSETS - (Continued)**

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

	Restated Balance <u>06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/04</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 273,697			\$ 273,697
Construction in progress	<u>21,582,490</u>	-	<u>(21,582,490)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>21,856,187</u>	<u>-</u>	<u>(21,582,490)</u>	<u>273,697</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	-	90,839	-	90,839
Buildings and improvements	1,784,646	21,582,490	-	23,367,136
Furniture and equipment	247,450	1,227,965	-	1,475,415
Vehicles	<u>379,332</u>	<u>153,615</u>	-	<u>532,947</u>
Total capital assets, being depreciated	<u>2,411,428</u>	<u>23,054,909</u>	<u>-</u>	<u>25,466,337</u>
<i>Less: accumulated depreciation</i>				
Land improvements	-	(1,135)	-	(1,135)
Buildings and improvements	(11,546)	(292,240)	-	(303,786)
Furniture and equipment	(207,639)	(80,497)	-	(288,136)
Vehicles	<u>(231,214)</u>	<u>(44,538)</u>	-	<u>(275,752)</u>
Total accumulated depreciation	<u>(450,399)</u>	<u>(418,410)</u>	<u>-</u>	<u>(868,809)</u>
Governmental activities capital assets, net	<u>\$ 23,817,216</u>	<u>\$ 22,636,499</u>	<u>\$(21,582,490)</u>	<u>\$ 24,871,225</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 267,329
Special	21,863

Support Services:

Administration	43,165
Pupil transportation	44,538
Food service operations	<u>41,515</u>

Total depreciation expense \$ 418,410

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

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

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the District entered into capitalized leases for the acquisition of data processing and reproduction equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital assets acquired by lease have been capitalized in the amount of \$54,809, which is equal to the present value of the future minimum lease payments as of the date of their inception. The lease is recorded as a long-term obligation of the District.

In the general fund, capital lease payments have been reclassified and are reflected as debt service expenditures. Principal payments totaled \$19,504 in the general fund during fiscal 2004. These expenditures are reflected as program/function expenditures on a budgetary basis.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 24,360
2006	24,360
2007	<u>6,089</u>
Total minimum lease payments	54,809
Less amount representing interest	<u>(4,801)</u>
Total	<u>\$ 50,008</u>

**NOTE 10 - LEASE-PURCHASE AGREEMENT**

On October 3, 2004 the District entered into a lease-purchase agreement with Fifth Third Bank for \$218,901 for fitness equipment. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal year 2004, the District made \$46,820 in principal payments and \$4,301 in interest programs on the lease-purchase agreement.

A liability in the amount of the present value of minimum lease payments has been reported in the governmental activities of the District.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2004.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 76,681
2006	76,681
2007	<u>25,559</u>
Total	\$ 178,921
Less amount representing interest	<u>(6,840)</u>
Present value of minimum lease payments	<u>\$ 172,081</u>

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

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

**NOTE 11 - LONG-TERM OBLIGATIONS**

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

This issue is comprised of current interest term bonds, par value \$1,550,000, current interest serial bonds, par value \$1,055,000, and capital appreciation bonds, par value \$188,935. The capital appreciation bonds mature each December 1, 2011 through 2014 (effective interest 8.471%, 8.523%, 8.523%, and 8.575% respectively), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value reported as long-term obligations at June 30, 2004 was \$259,699. Total accreted interest of \$70,764 has been included as long-term obligations at June 30, 2004.

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance Outstanding 06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/04</u>	<u>Amounts Due in One Year</u>
<b>Governmental Activities:</b>								
School facilities improvement:								
Serial and term	5.744%	7/11/00	12/01/23	\$ 2,430,000	\$ -	\$ (95,000)	\$ 2,335,000	\$ 95,000
Capital appreciation	8.471-8.575%	7/11/00	12/01/11-14	188,935	-	-	188,935	-
Accreted interest	N/A	N/A	N/A	<u>50,377</u>	<u>20,387</u>	<u>-</u>	<u>70,764</u>	<u>-</u>
Total long-term obligations, governmental activities				<u>\$ 2,669,312</u>	<u>\$ 20,387</u>	<u>\$ (95,000)</u>	<u>\$ 2,594,699</u>	<u>\$ 95,000</u>

- B. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004, are as follows:

Year Ending June 30	<u>Current interest bonds</u>			<u>Capital appreciation bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY05	\$ 95,000	\$ 127,602	\$ 222,602	\$ -	-	-
FY06	100,000	122,800	222,800	-	-	-
FY07	105,000	117,700	222,700	-	-	-
FY08	110,000	112,297	222,297	-	-	-
FY09	120,000	106,460	226,460	-	-	-
FY2010-2014	255,000	464,371	719,371	405,000	-	405,000
FY2015-2019	595,000	384,459	979,459	135,000	-	135,000
FY2020-2024	<u>955,000</u>	<u>145,926</u>	<u>1,100,926</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,335,000</u>	<u>\$ 1,581,615</u>	<u>\$ 3,916,615</u>	<u>\$ 540,000</u>	<u>\$ -</u>	<u>\$ 540,000</u>

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

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

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

- C. In fiscal 1993, the District received a loan from the U.S. Environmental Protection Agency for an asbestos abatement project. The loan is interest free as long as the District remains current on repayment. This loan is a general obligation of the District for which the full faith and credit of the District are pledged for repayment. Principal and the unpaid balance related to the loan are recorded as a long-term obligation of the District. The following schedule describes the loan outstanding at June 30, 2004.

<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 6/30/2003</u>	<u>Retired Fiscal 2004</u>	<u>Balance 6/30/2004</u>
None	4/16/1993	5/13/2013	\$ 33,985	\$ (5,000)	\$ 28,985

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 5,000	\$ -	\$ 5,000
2006	5,000	-	5,000
2007	5,000	-	5,000
2008	5,000	-	5,000
2009	5,000	-	5,000
2010	<u>3,985</u>	<u>-</u>	<u>3,985</u>
Total	<u>\$ 28,985</u>	<u>\$ -</u>	<u>\$ 28,985</u>

- E. The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The asbestos removal loan has been restated as a long-term obligation of the District as described in Note 3.A. The compensated absences liability increased \$80,210 from \$656,673 to \$736,883 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. In addition, pension obligations of \$64,141 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 an increase of \$50,504 from \$3,459,638 to \$3,509,692. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

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

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

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

	Audited		Restated			Balance	Amounts
	Balance		Balance			6/30/2004	Due in
	<u>6/30/2003</u>	<u>Restatement</u>	<u>7/1/2003</u>	<u>Additions</u>	<u>Reductions</u>		<u>One Year</u>
<b>Governmental Activities:</b>							
General obligation bonds	\$ 2,669,312	\$ -	\$ 2,669,312	\$ 20,387	\$ (95,000)	\$ 2,594,699	95,000
Asbestos removal loan	-	33,985	33,985	-	(5,000)	28,985	5,000
Capital lease obligation	69,512	-	69,512	-	(19,504)	50,008	21,123
Lease-purchase obligation	-	-	-	218,901	(46,820)	172,081	72,157
Compensated absences	656,673	80,210	736,883	31,131	(24,167)	743,847	70,324
Pension obligation payable	<u>64,141</u>	<u>(64,141)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,459,638</u>	<u>\$ 50,054</u>	<u>\$ 3,509,692</u>	<u>\$ 270,419</u>	<u>\$ (190,491)</u>	<u>\$ 3,589,620</u>	<u>\$ 263,604</u>

**F. Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$4,979,889 and an unvoted debt margin of \$80,188.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

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

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

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

The District liability policy has a limit of \$1,000,000 for each occurrence and \$5,000,000 aggregate.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reductions in amounts of insurance coverage from fiscal 2003.

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

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

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**B. Health Self Insurance**

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

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

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**C. OSBA Workers' Compensation Group Rating**

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

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

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

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

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$157,389, \$142,583, and \$104,202, respectively; 46.39% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$84,384, represents the unpaid contribution for fiscal year 2004.

**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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance. Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2004 and 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$565,636, \$528,443, and \$500,400, respectively; 83.95% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$90,816 represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal 2004 were \$12,463 made by the District and \$3,225 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.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

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 \$40,403 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.

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

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

**NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)**

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 \$81,818 during the 2004 fiscal year.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures 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:

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

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

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (894,246)
Net adjustment for revenue accruals	77,743
Net adjustment for expenditure accruals	(20,771)
Net adjustment for other sources/uses	(108,491)
Adjustment for encumbrances	37,051
GAAP basis	\$ (908,714)

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**C. State School Funding Decision**

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

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

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

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

**NOTE 17 - STATUTORY RESERVES**

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

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2003	\$ 80,411	\$ -	\$ 300,530
Current year set-aside requirement	145,551	145,551	-
Current year offsets	-	(3,088,684)	-
Qualifying disbursements	<u>(82,056)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 143,906</u>	<u>\$ (2,943,133)</u>	<u>\$ 300,530</u>
Cash balance carried forward to FY 2005	<u>\$ 143,906</u>	<u>\$ (2,943,133)</u>	<u>\$ 300,530</u>

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

Amounts restricted for budget stabilization	\$ 300,530
Amounts restricted for instructional materials	<u>143,906</u>
Total restricted assets	<u>\$ 444,436</u>

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

**NOTE 18 - CONTRACTUAL COMMITMENTS**

The District had \$263,874 in outstanding contractual commitments at June 30, 2004. Construction will be completed in fiscal year 2005.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Maplewood Local School District  
Trumbull County  
2414 Greenville Road N.E.  
Cortland, Ohio 44410

To The Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Maplewood Local School District (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 2, 2006. The District also adopted Governmental Accounting Standards Board Statement No. 34 and Interpretation No. 6. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated February 2, 2006, we reported one matter involving internal control over financial reporting we did not deem a reportable condition.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated February 2, 2006, we reported other matters related to noncompliance we deemed immaterial.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503  
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Maplewood Local School District  
Trumbull County  
Independent Accountants' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Required by Government Auditing Standards  
Page 2

We intend this report solely for the information and use of the management and the Board of Education.  
It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 2, 2006



**Auditor of State  
Betty Montgomery**

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

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**MAPLEWOOD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 16, 2006**