



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Maplewood Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Maplewood Local School District, Trumbull County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2001, the District adopted Governmental Accounting Statement No. 33.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

April 8, 2002

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MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
ASSETS AND OTHER DEBITS									
ASSETS:									
Equity in pooled cash and cash equivalents	\$1,857,751	\$128,951	\$116,516	\$7,842,035	\$28,947	\$39,764			\$10,013,964
Receivables (net of allowances of uncollectibles):									
Property taxes.	1,193,769	32,970	197,257	323,274					1,747,270
Accounts	311	1,354							1,665
Accrued interest.	175,445								175,445
Interfund loan receivable.	69,423								69,423
Advances to other funds	21,904								21,904
Due from other governments	7,512	54,952							62,464
Prepayments									0
Materials and supplies inventory	6,791				9,816				16,607
Restricted assets:									
Equity in pooled cash and cash equivalents.	244,009								244,009
Property, plant and equipment (net of accumulated depreciation where applicable)					29,812		\$5,364,542		5,394,354
OTHER DEBITS:									
Amount available in debt service fund								\$106,196	106,196
Amount to be provided for retirement of General Long-Term Obligations.								3,437,423	3,437,423
Total assets and other debits	\$3,576,915	\$218,227	\$313,773	\$8,165,309	\$68,575	\$39,764	\$5,364,542	\$3,543,619	\$21,290,724

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS									
LIABILITIES:									
Accounts payable	\$17,235	\$236		\$4,064					\$21,535
Contracts payable				934,257					934,257
Accrued wages and benefits.	588,251	26,464		33	\$16,929				631,677
Compensated absences payable	2,268				10,753			\$671,848	684,869
Pension obligation payable	93,904	3,548			5,966			52,441	155,859
Interfund loan payable.		69,423							69,423
Advances from other funds		21,154		750					21,904
Deferred revenue	1,196,048	32,733	\$195,841	320,955	2,754				1,748,331
Due to other students						\$39,764			39,764
General obligations bonds payable								2,809,625	2,809,625
Accrued interest payable			10,320						10,320
Energy conservation loan payable.				7,990					7,990
Asbestos loan payable.				43,985					43,985
Obligation under capital lease.								9,705	9,705
Total liabilities	1,897,706	153,558	206,161	1,312,034	36,402	39,764		3,543,619	7,189,244
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets.							\$5,364,542		5,364,542
Retained earnings: unreserved.					32,173				32,173
Fund balances:									
Reserved for encumbrances	243,059	25,767		17,949,359					18,218,185
Reserved for supplies inventory	6,791								6,791
Reserved for advances	21,904								21,904
Reserved for debt service			106,196						106,196
Reserved for tax revenue unavailable for appropriation.	8,567	237	1,416	2,319					12,539
Reserved for instructional supplies	79,606								79,606
Reserved for budget stabilization	164,403								164,403
Unreserved-undesignated	1,154,879	38,665		(11,098,403)					(9,904,859)
Total equity and other credits.	1,679,209	64,669	107,612	6,853,275	32,173		5,364,542		14,101,480
Total liabilities, equity and other credits	\$3,576,915	\$218,227	\$313,773	\$8,165,309	\$68,575	\$39,764	\$5,364,542	\$3,543,619	\$21,290,724

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
From local sources:					
Taxes	\$1,482,289	\$30,199	\$179,844	\$146,571	\$1,838,903
Tuition	28,187				28,187
Earnings on investments	280,832			41,574	322,406
Other local revenues	314,690	109,869		14,750	439,309
Intergovernmental - State	4,484,336	53,002	23,437	5,171,695	9,732,470
Intergovernmental - Federal	44,921	184,166			229,087
	<u>6,635,255</u>	<u>377,236</u>	<u>203,281</u>	<u>5,374,590</u>	<u>12,590,362</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,432,791	39,924		885	3,473,600
Special	366,367	111,348			477,715
Vocational	330				330
Other	23,178				23,178
Support services:					
Pupil	467,020				467,020
Instructional staff	104,835	85,707		50,350	240,892
Board of Education	32,785				32,785
Administration	532,410	11,562		500	544,472
Fiscal	235,799	1,601	2,913	3,013	243,326
Business	35,679				35,679
Operations and maintenance	422,499				422,499
Pupil transportation	467,972				467,972
Central	521			4,900	5,421
Community services	46,310	1,179			47,489
Extracurricular activities	116,938	90,537			207,475
Facilities services				1,903,150	1,903,150
Debt service:					
Principal retirement	13,091		2,794,000		2,807,091
Interest and fiscal charges	2,177		271,027	1,302	274,506
	<u>6,300,702</u>	<u>341,858</u>	<u>3,067,940</u>	<u>1,964,100</u>	<u>11,674,600</u>
Excess (deficiency) of revenues over (under) expenditures	334,553	35,378	(2,864,659)	3,410,490	915,762
Other financing sources (uses):					
Proceeds from sale of assets	11,757				11,757
Proceeds of bonds			2,793,935		2,793,935
Premium on sale of bonds			71,448		71,448
Transfer in		10,976			10,976
Transfer (out)	(17,643)				(17,643)
	<u>(5,886)</u>	<u>10,976</u>	<u>2,865,383</u>		<u>2,870,473</u>
Excess of revenues and other financing sources over expenditures and other financing (uses)	328,667	46,354	724	3,410,490	3,786,235
Fund balance (Restated), July 1	1,352,831	18,315	106,888	3,442,785	4,920,819
Decrease in reserve for inventory	(2,289)				(2,289)
Fund balance, June 30	<u>\$1,679,209</u>	<u>\$64,669</u>	<u>\$107,612</u>	<u>\$6,853,275</u>	<u>\$8,704,765</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes.....	\$1,317,755	\$1,317,793	\$38	\$30,013	\$30,013	
Tuition.....	28,187	28,187				
Earnings on investments.....	181,136	181,409	273			
Other local revenues.....	52,246	52,246		134,385	101,445	(32,940)
Intergovernmental - State.....	4,684,013	4,691,167	7,154	75,737	53,002	(22,735)
Intergovernmental - Federal.....	18,761	37,409	18,648	180,426	129,214	(51,212)
Total revenues.....	<u>6,282,098</u>	<u>6,308,211</u>	<u>26,113</u>	<u>420,561</u>	<u>313,674</u>	<u>(106,887)</u>
Expenditures:						
Current:						
Instruction:						
Regular.....	3,377,481	3,366,102	11,379	48,131	34,304	13,827
Special.....	350,332	350,332		110,817	107,708	3,109
Vocational.....	330	330				
Other.....	25,501	25,501				
Support services:						
Pupil.....	464,751	464,751				
Instructional staff.....	111,586	109,693	1,893	114,426	110,352	4,074
Board of Education.....	39,729	39,301	428			
Administration.....	525,111	525,111		2,383	2,383	
Fiscal.....	239,367	235,702	3,665	1,212	1,212	
Business.....	52,806	52,806				
Operations and maintenance.....	443,820	442,086	1,734			
Pupil transportation.....	560,064	558,631	1,433			
Central.....	521	521				
Community services.....	49,360	49,360		1,230	1,179	51
Extracurricular activities.....	122,051	122,051		104,666	93,401	11,265
Facilities services.....						
Debt service:						
Principal retirement.....						
Interest and fiscal charges.....						
Total expenditures.....	<u>6,362,810</u>	<u>6,342,278</u>	<u>20,532</u>	<u>382,865</u>	<u>350,539</u>	<u>32,326</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(80,712)</u>	<u>(34,067)</u>	<u>46,645</u>	<u>37,696</u>	<u>(36,865)</u>	<u>(74,561)</u>
Other financing sources (uses):						
Sale of bonds						
Gain on sale of assets	11,757	11,757				
Refund of prior year's expenditures.....	30,144	68,826	38,682	4,268	4,268	
Transfers in.....					10,976	10,976
Transfers (out).....	(17,643)	(17,643)				
Advances in.....		762	762		69,423	69,423
Advances (out).....	(69,423)	(69,423)		(762)	(762)	
Other miscellaneous (use) of funds.....	(398)		398			
Total other financing sources (uses)...	<u>(45,563)</u>	<u>(5,721)</u>	<u>39,842</u>	<u>(762)</u>	<u>83,905</u>	<u>80,399</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).	<u>(126,275)</u>	<u>(39,788)</u>	<u>86,487</u>	<u>36,934</u>	<u>47,040</u>	<u>5,838</u>
Fund balances (Restated), July 1.....	1,700,972	1,700,972		47,645	47,645	
Prior year encumbrances appropriated.....	20,282	20,282		8,263	8,263	
Fund balances, June 30.....	<u>\$1,594,979</u>	<u>\$1,681,466</u>	<u>\$86,487</u>	<u>\$92,842</u>	<u>\$102,948</u>	<u>\$5,838</u>

The notes to the general purpose financial statements are an integral part of this statement.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$178,874	\$178,874		\$293,585	\$304,650	\$11,065	\$1,820,227	\$1,831,330	\$11,103
						28,187	28,187	
			101,590	103,104	1,514	282,726	284,513	1,787
			14,750	14,750		201,381	168,441	(32,940)
23,437	23,437		5,171,695	5,171,695		9,954,882	9,939,301	(15,581)
						199,187	166,623	(32,564)
202,311	202,311		5,581,620	5,594,199	12,579	12,486,590	12,418,395	(68,195)
			885	885		3,426,497	3,401,291	25,206
						461,149	458,040	3,109
						330	330	
						25,501	25,501	
						464,751	464,751	
			62,848	62,848		288,860	282,893	5,967
						39,729	39,301	428
			800	800		528,294	528,294	
2,913	2,913		3,012	3,012		246,504	242,839	3,665
						52,806	52,806	
			27,231	27,231		471,051	469,317	1,734
						560,064	558,631	1,433
			4,900	4,900		5,421	5,421	
						50,590	50,539	51
						226,717	215,452	11,265
			19,832,952	19,841,185	(8,233)	19,832,952	19,841,185	(8,233)
2,794,000	2,794,000					2,794,000	2,794,000	
199,644	199,644					199,644	199,644	
2,996,557	2,996,557		19,932,628	19,940,861	(8,233)	29,674,860	29,630,235	44,625
(2,794,246)	(2,794,246)		(14,351,008)	(14,346,662)	4,346	(17,188,270)	(17,211,840)	(23,570)
2,804,320	2,804,320					2,804,320	2,804,320	
						11,757	11,757	
						34,412	73,094	38,682
							10,976	10,976
						(17,643)	(17,643)	
							70,185	70,185
						(70,185)	(70,185)	
						(398)		398
2,804,320	2,804,320					2,757,995	2,882,504	120,241
10,074	10,074		(14,351,008)	(14,346,662)	4,346	(14,430,275)	(14,329,336)	96,671
106,442	106,442		3,460,748	3,460,748		5,315,807	5,315,807	
			268	268		28,813	28,813	
\$116,516	\$116,516		(\$10,889,992)	(\$10,885,646)	\$4,346	(\$9,085,655)	(\$8,984,716)	\$96,671

MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	\$8,666
Sales/charges for services	194,033
Other operating revenues	401
	203,100
Operating expenses:	
Personal services	133,479
Contract services	4,377
Materials and supplies	159,589
Other operating expenses	624
Depreciation	342
	298,411
Operating loss	(95,311)
Nonoperating revenues	
Operating grants	58,572
Federal commodities	11,870
Interest revenue	803
	71,245
Net loss before operating transfers	(24,066)
Operating transfer in	6,667
	(17,399)
Net loss	(17,399)
Retained earnings, July 1	49,572
Retained earnings, June 30	\$32,173

The notes to the general purpose financial statements are an integral part of this statement.

MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$15,097
Cash received from sales/service charges	194,033
Cash received from other operations	401
Cash payments for personal services	(131,465)
Cash payments for contract services	(4,377)
Cash payments supplies and materials	(158,697)
Cash payments for other expenses	(624)
	(85,632)
Net cash used in operating activities	(85,632)
Cash flows from noncapital financing activities:	
Cash received from operating grants	58,572
Cash received from operating transfers	6,667
	65,239
Net cash provided by noncapital financing activities	65,239
Cash flows from investing activities:	
Interest received	803
	803
Net cash provided by investing activities	803
Net decrease in cash and cash equivalents	(19,590)
Cash and cash equivalents at beginning of year	48,537
Cash and cash equivalents at end of year	\$28,947
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$95,311)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	342
Donated federal commodities	11,870
Changes in assets and liabilities:	
Increase in materials and supplies	(1,834)
Decrease in accounts receivable	6,431
Decrease in accounts payable	(10,272)
Increase in accrued wages & benefits	7,721
Decrease in compensated absences payable	(9,406)
Increase in pension obligation payable	5,966
Decrease in deferred revenue	(1,139)
	(1,139)
Net cash used in operating activities	(\$85,632)

The notes to the general purpose financial statements are an integral part of this statement.

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**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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 469th largest by enrollment among the 682 public and community school districts in the State. It currently operates one elementary school and one comprehensive middle/high school. The District is staffed by 48 non-certified and 73 certificated personnel to provide services to approximately 1,137 students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (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's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the 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, food service, and student related activities of the District.

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

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

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 Simone, Treasurer for the Trumbull County Educational Service Center, (fiscal agent), at 347 N. Park Avenue, Warren, Ohio 44481.

Trumbull County Joint Vocational School

The Trumbull County Joint Vocational School (JVS) is a jointly governed organization among fifteen school districts. The JVS 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 County Joint Vocational School, 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.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Information can be obtained by contacting the treasurer at the Mahoning County Educational Service Center, 2801 Market Street, Youngstown, Ohio 44507.

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 11.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

General Fund - The General fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

Enterprise Funds - Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Agency Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have measurement focus. Agency funds are reported on a cash basis, with note disclosure regarding items which, in other fund types, would be subject to accrual.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2001, but which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as advances on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred, with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary funds receive no revenue from property taxes.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15, 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 amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) 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.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. 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.
8. Appropriation 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 during fiscal 2001 in the following amounts:

	<u>Increase/(Decrease)</u>
General Fund	\$ (465,792)
Special Revenue Funds	181,533
Capital Projects Funds	15,456,490
Debt Service Funds	2,705,147
Enterprise Funds	(10,631)
 Total Net Increase	 <u>\$17,866,747</u>

9. 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 (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 12 to the financial statements.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary 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" (both unrestricted and restricted) on the combined balance sheet.

During fiscal 2001, 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 2001 amounted to \$280,832, which included \$203,617 assigned from other District funds.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

F. Inventory

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. 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 capitalized, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Minor Equipment	5-20

H. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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 sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Long-Term Obligations

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by Proprietary funds are reported as liabilities in the appropriate Proprietary funds.

J. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, supplies inventory, tax advance unavailable for appropriation, advances, debt service, bus purchases, and instructional supplies. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

K. Statutory Reserves

The District is required by State law to set-aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of July 1, 2000	\$ 94,923	\$ 0	\$ 113,464
Current year set-aside requirement	152,823	152,823	50,939
Offset credits	0	(174,661)	0
Qualifying disbursements	<u>(168,140)</u>	<u>0</u>	<u>0</u>
Total, June 30, 2001	<u>79,606</u>	<u>(21,838)</u>	<u>164,403</u>
Cash balance carried forward to FY 2002	<u>\$ 79,606</u>	<u>\$ 0</u>	<u>\$ 164,403</u>

Though the budget stabilization is no longer required, the District has resolved to continue to set aside funds for future bus purchases. Amounts not spent or offset by similarly restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District's expenditures and offsets exceeded the required set aside amount for capital maintenance, however this negative amount may not be carried forward to future years.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for budget stabilization	\$ 164,403
Amount restricted for instructional materials	<u>79,606</u>
Total restricted assets	<u><u>\$244,009</u></u>

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2001 is presented in Note 5.

M. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish an instructional materials and other reserves. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. A fund balance reserve has also been established. See Note 2.K. for statutory reserves.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented (Exhibit 5) a statement of cash flows for its Enterprise funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

O. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

P. Estimates

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

Q. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 2001. In accordance with this statement, certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions may have been reported in a manner inconsistent with prior fiscal years; however, the adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Prior Period Adjustments

The District has presented a restatement of the Capital Projects fund balance due to the change in the debt re-payment schedule for the Energy Conservation Notes. The effect of this adjustment is as follows:

	Balance As Previously <u>Reported June 30, 2000</u>	<u>Adjustment</u>	Restated Balance <u>July 1, 2000</u>
<u>Capital Projects Funds</u>			
Fund Balance	\$3,440,374	\$ 2,411	\$3,442,785
Energy Conservation Notes Payable	31,330	(2,411)	28,919

C. Deficit Fund Balances

Fund balances at June 30, 2001 included the following individual fund deficits:

<u>Fund</u>	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Teacher Development	\$ (1,960)
DPIA	(891)
Ohio Reads	(23)
Title VI-B	(380)
Title I	(64,804)
<u>Capital Projects Funds</u>	
Emergency Repair	(750)

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

D. Budgetary Non-compliance

The following fund had appropriations in excess of the final Amended Official Certificate of Estimated Resources, contrary to Section 5705.39, Ohio Revised Code:

<u>Fund Type</u>	<u>Excess</u>
Capital Projects Funds	\$10,896,264

Disclosure is presented at the fund level since that is the legal level of control.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

4. EQUITY IN POOLED CASH AND INVESTMENTS

State 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 financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested or deposited 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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

**MAPLEWOOD LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

5. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt investments 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 \$10,257,974 and the bank balance was \$10,284,444 (both exclusive of payroll clearance accounts, but inclusive of \$4,987,672 in non-negotiable certificates of deposits). Of the bank balance:

1. \$100,000 was covered by federal deposit insurance; and
2. \$10,184,444 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could 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.

6. INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2001, consist of the following individual interfund loans receivable and payable:

	Interfund Loans Receivable	Interfund Loans (Payable)
General Fund	\$69,423	
<u>Special Revenue Funds</u>		
Title I		\$(42,007)
Title VI-B		(20,125)
Miscellaneous Federal Grants		(7,291)
Total Interfund Loans	<u>\$69,423</u>	<u>\$(69,423)</u>

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

6. INTERFUND TRANSACTIONS (Continued)

B. Interfund balances at June 30, 2001 consist of the following long-term advances:

	<u>Advanced To Other Funds</u>	<u>Advanced (From) Other Funds</u>
General Fund	\$21,904	
<u>Special Revenue Funds</u>		
Title I		\$(21,154)
<u>Capital Projects Funds</u>		
Emergency Repair	_____	____(750)
Total Long-term Advances	<u>\$21,904</u>	<u>\$(21,904)</u>

C. The following is a reconciliation of the District's operating transfers during fiscal year 2001:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$(17,643)
<u>Special Revenue Funds</u>		
Title I	\$10,976	
<u>Enterprise Funds</u>		
Uniform School Supplies	____6,667	_____
Total Transfers	<u>\$17,643</u>	<u>\$(17,643)</u>

7. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed 50% of market value, and railroads, which are assessed at 29% of market value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2001 taxes were collected are as follows:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$61,227,820	91.90	\$64,888,940	93.39
Public Utility Personal	3,455,420	5.19	3,739,220	5.38
Tangible Personal Property	1,937,740	2.91	853,272	1.23
	<u>\$66,620,980</u>	<u>100.00</u>	<u>\$69,481,432</u>	<u>100.00</u>

Tax rate per \$1,000 of
assessed valuation:

Operations	\$51.43	\$43.91
Debt Service	4.398	4.398
Permanent Improvement		5.00

The District passed a 4.398 mill levy in November 1999 to fund the construction of a new school. The collection of this levy began in the second half of fiscal year 2000.

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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The Trumbull County Treasurer collects property taxes on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end. Available tax advances at June 30, 2001 totaled \$3,547 in the General fund, \$8,028 in the Debt Service fund, \$871 in the Permanent Improvements fund, and \$93 in the Classroom Facilities fund.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

8. RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements (intended to finance the current fiscal year). 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 fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$1,193,769
Accrued Interest	175,445
<u>Special Revenue Funds</u>	
Taxes - Current and Delinquent	32,970
<u>Debt Service Fund</u>	
Taxes - Current and Delinquent	197,257
<u>Capital Projects Funds</u>	
Taxes - Current and Delinquent	323,274

9. FIXED ASSETS

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	<u>Balance July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30,</u>
<u>2001</u>				
Land/improvements	\$ 273,697			\$ 273,697
Buildings/improvements	1,706,653			1,706,653
Furniture/equipment	1,422,756	\$ 80,465		1,503,221
Vehicles	848,691		\$(51,370)	797,321
Construction in Progress	_____	<u>1,083,650</u>	_____	<u>1,083,650</u>
Total	<u>\$4,251,797</u>	<u>\$1,164,115</u>	<u>\$(51,370)</u>	<u>\$5,364,542</u>

A summary of the Proprietary fixed assets at June 30, 2001 follows:

Furniture and equipment	\$ 90,065
Less: accumulated depreciation	<u>(60,253)</u>
Net fixed assets	<u>\$ 29,812</u>

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

10. CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District has 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. Fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in the amount of \$56,100, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group.

In the General fund, capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statements of Revenue, Expenditures and Changes in Fund Balances - All Governmental Fund Types. Principal payments totaled \$13,091 in fiscal 2001. 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 future minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30	General Long-Term Obligations
2002	<u>\$10,179</u>
Total future minimum lease payments	10,179
Less: amount representing interest	<u>(474)</u>
Present value of future minimum lease payments	<u>\$ 9,705</u>

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 in the General Long-Term Obligations Account Group. 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 \$540,000. The capital appreciation bonds mature each December 1, 2011 through 2014 (effective interest 8.471%, 8.523%, 8.523%, and 8.575% respectively), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the General Long-Term Obligations Account Group at June 30, 2001 was \$188,935. Total accreted interest of \$15,690 has been included in the General Long-Term Obligations Account Group at June 30, 2001.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

11. LONG -TERM OBLIGATIONS - (Continued)

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2023.

The following is a description of the District's bonds outstanding as of June 30, 2001:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance 07/01/00</u>	<u>Issued/Accreted During Fiscal 2001</u>	<u>Balance 06/30/01</u>
School Facilities Improvement:							
Serial and Term	5.744%	7/11/00	12/01/23	\$2,605,000	\$ 0	\$2,605,000	\$2,605,000
Capital Appreciation	8.471 - 8.575%	7/11/00	12/01/11-14	188,935	0	188,935	188,935
Accreted Interest	NA	NA	NA	<u>0</u>	<u>0</u>	<u>15,690</u>	<u>15,690</u>
Total, General Obligation Bonds				<u>\$2,793,935</u>	<u>\$ 0</u>	<u>\$2,809,625</u>	<u>\$2,809,625</u>

B. In fiscal year 1992, the District issued energy conservation notes as authorized by H.B. 264.

Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Payments of principal and interest relating to these notes are recorded as expenditures in the Permanent Improvements fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues.

The following is a description of the District's energy conservation notes outstanding as of June 30, 2001:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Restated Maturity Date</u>	<u>Balance 07/01/2000</u>	<u>Retired in Fiscal 2001</u>	<u>Balance 06/30/2001</u>
Energy Conservation	6.75%	4/11/92	4/10/02	<u>\$28,919</u>	<u>(\$20,929)</u>	<u>\$7,990</u>

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. Payments are recorded as expenditures of the Permanent Improvements fund, from current operating revenue. The following schedule describes the loan outstanding at June 30, 2001:

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

11. LONG -TERM OBLIGATIONS - (Continued)

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/2000</u>	<u>Retired in Fiscal 2001</u>	<u>Balance 06/30/2001</u>
Asbestos Removal	None	4/16/93	5/13/13	<u>\$48,985</u>	<u>(\$5,000)</u>	<u>\$43,985</u>

D. Principal and interest requirements to retire general obligation bonds, energy conservation notes, and the asbestos loan outstanding at June 30, 2001, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Current Interest General Obligation Bonds</u>	<u>Capital Appreciation General Obligation Bonds</u>	<u>Energy Conservation Notes</u>	<u>Asbestos Loan</u>	<u>Total</u>
2002	\$ 225,876		\$8,350	\$ 5,000	\$ 239,226
2003	226,697			5,000	231,697
2004	227,234			5,000	232,234
2005	222,602			5,000	227,602
2006	222,800			5,000	227,800
2007 - 2011	1,120,221			18,985	1,139,206
2012 - 2016	582,098	\$ 540,000			1,122,098
2017 - 2021	1,109,343				1,109,343
2022 - 2023	<u>659,551</u>				<u>659,551</u>
Total	4,596,422	540,000	8,350	43,985	5,188,757
Less: Interest	<u>(1,991,422)</u>	<u>(335,375)</u>	<u>(360)</u>	<u>0</u>	<u>(2,327,157)</u>
Total	<u>\$ 2,605,000</u>	<u>\$ 204,625</u>	<u>\$7,990</u>	<u>\$43,985</u>	<u>\$ 2,861,600</u>

E. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension benefit obligation will ultimately be paid from the fund from which the employee is paid.

	<u>Balance 07/01/00</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/00</u>
General Obligation Bonds		\$2,809,625		\$2,809,625
Compensated Absences	\$ 626,690	45,158		671,848
Capital Lease	22,796		\$ (13,091)	9,705
Bond Anticipation Note	2,794,000		(2,794,000)	0
Pension Obligation Payable	<u>37,302</u>	<u>52,441</u>	<u>(37,302)</u>	<u>52,441</u>
Total General Long-Term Obligations	<u>\$3,480,788</u>	<u>\$2,907,224</u>	<u>\$(2,844,393)</u>	<u>\$3,543,619</u>

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

11. LONG -TERM OBLIGATIONS - (Continued)

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school 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 code further provides that un-voted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations for the District at June 30, 2001 are a voted debt margin of \$3,559,928 (including available funds of \$114,224), an unvoted debt margin of \$69,481, and an unvoted energy conservation debt margin of \$617,343.

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 2000.

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 anticipate claims.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

12. RISK MANAGEMENT - (Continued)

The District provides health, vision and life insurance coverage for employees. The health insurance coverage is administered by United Healthcare, a third party administrator. Vision Service Plan administers the vision coverage. Medical Life Insurance Company provides the life insurance coverage. The District pays the insurance premiums, as a fringe benefit for the employees.

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 WORKER'S COMPENSATION GROUP RATING

For fiscal year 2001, 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.

13. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise funds of the District as of and for the year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenue	\$194,434	\$ 8,666	\$203,100
Depreciation	342		342
Operating Loss	(86,660)	(8,651)	(95,311)
Non-operating Revenue:			
Operating grants	58,572		58,572
Donated Federal Commodities	11,870		11,870
Operating Transfers In		6,667	6,667
Net Loss	(15,415)	(1,984)	(17,399)

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

13. SEGMENT INFORMATION - ENTERPRISE FUNDS (Continued)

Net Working Capital	8,566	6,609	15,175
Total Assets	61,966	6,609	68,575
Long-Term Liabilities			
Payable From Fund Revenues	10,753		10,753
Total Fund Equity	25,564	6,609	32,173
Encumbrances outstanding as of 6/30/01	9,483	1,200	10,683

14. 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 basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2001; 4.2 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$111,749, \$33,018, and \$78,562, respectively; 42 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$64,788, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

14. DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$460,770, \$187,222, and \$319,089, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$77,652, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

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, 2001, no members of the Board of Education have elected Social Security.

15. 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 reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

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 percent of covered payroll. Through June 30, 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$147,200 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 net health care costs paid by STRS were \$283.137 million and there were 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

15. POSTEMPLOYMENT BENEFITS (Continued)

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase from 8.45 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 SERS had net assets available for payment of health care benefits of \$252.3 million and there were approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$80,344 during the 2001 fiscal year.

16. BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis);
- (d) Intrafund transfers have been presented as other financing sources (uses) on a budget basis. Intrafund transfers have been eliminated for GAAP basis reporting purposes.

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

16. BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

**Excess (Deficiency) of Revenues and Other Financing
Sources Over/(Under) Expenditures and Other
Financing Uses**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ (39,788)	\$ 47,040	\$ 10,074	\$(14,346,662)
Net adjustment for revenue accruals	327,044	63,562	970	(219,609)
Net adjustment for expenditure accruals	(218,718)	(17,322)	(71,383)	(910,920)
Net adjustment for other financing sources (uses)	(165)	(72,929)	61,063	
Encumbrances (budget basis)	<u>260,294</u>	<u>26,003</u>	<u> </u>	<u>18,887,681</u>
GAAP basis	<u>\$ 328,667</u>	<u>\$ 46,354</u>	<u>\$ 724</u>	<u>\$ 3,410,490</u>

17. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

B. Litigation

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

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

17. CONTINGENCIES (Continued)

C. State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of April 8, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and re-determine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision and re-consideration will have on its future State funding and on its financial operations.

18. OUTSTANDING CONTRACTUAL COMMITMENTS

At June 30, 2001, the District had the following outstanding contractual commitments:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Balance Remaining</u>
High School	\$ 6,657,350	\$ 477,127	\$ 6,180,223
Middle School	6,437,368	286,341	6,151,027
Elementary School	<u>5,823,158</u>	<u>384,430</u>	<u>5,438,728</u>
Total Outstanding Commitments	<u>\$18,917,876</u>	<u>\$1,147,898</u>	<u>\$17,769,978</u>

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

19. SIGNIFICANT SUBSEQUENT EVENT

During excavation to construct the elementary school, contaminated soil was discovered. The contamination was due to previously removed gas tanks. The State agreed that since this would not have been discovered without the project funded by the OSFC, the State would pay for 88% of the cost to clean up the soil. The total cost is estimated to be \$722,000, of which \$86,640 is the estimated liability for the District. Consequently, the estimated completion date of the elementary school has been changed to December, 2002.

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STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of Maplewood Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated April 8, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Maplewood Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-11178-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Maplewood Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do require inclusion in this report, that we have reported to management of Maplewood Local School District in a separate letter dated April 8, 2002.

This report is intended for the information and use of the management and Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

Jim Petro
Auditor of State

April 8, 2002

**MAPLEWOOD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2001**

SCHEDULE OF FINDINGS

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN
ACCORDANCE WITH GAGAS:**

Finding Number 2001-11178-001:

Ohio Revised Code § 5705.39 states that total appropriations from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded the amount of estimated revenue certified to the county auditor as available for appropriations in the following Fund Type/Fund:

Fund Type/Fund	Total Certified Resources	Appropriations	Variance
Capital Project Funds/ Ohio School's Facility Fund	\$8,291,821	\$19,754,207	(\$11,462,386)

The District, once a grant/loan is awarded and approved by the State, the fiscal officer then should obtain an official certificate of estimated resources or an amended certificate, for all or part of the grant/loan, based on what is to be received in the fiscal year. Any money expected to be received in the next fiscal year should be reflected on next year's certificate. Subsequently, if the grant/loan will be expended over a period longer than the current fiscal year, only the amount estimated to be obligated during the current fiscal year should be recorded as appropriated, and the remainder of the project in the year(s) following.



STATE OF OHIO
OFFICE OF THE AUDITOR

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MAPLEWOOD LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 21, 2002**