



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet – All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental and Similar Fiduciary Fund Types .....	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Comparison (Non-GAAP Budgetary Basis) – All Governmental and Similar Fiduciary Fund Types .....	10
Combined Statement of Revenues, Expenses and Changes in Retained Earnings / Fund Balance – All Proprietary and Similar Fiduciary Fund Types .....	12
Combined Statement of Cash Flows – All Proprietary and Similar Fiduciary Fund Types .....	13
Notes to the General Purpose Financial Statements .....	15
Schedule of Federal Awards Expenditures .....	40
Notes to the Federal Awards Expenditures .....	42
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	43
Report of Independent Accountants on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> .....	45
Schedule of Findings .....	47

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Maumee City School District  
Lucas County  
2345 Detroit Avenue  
Maumee, Ohio 43537-3799

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Maumee City School District (the School 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 School 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 Maumee City School District, Lucas County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2002 on our consideration of the School 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.

We performed our audit to form an opinion on the general-purpose financial statements of the School District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

March 28, 2002

**This page intentionally left blank.**

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$5,218,149	\$809,047	\$956,839
Equity in pooled cash and cash equivalents - nonexpendable trust fund			
Receivables (net of allowances of uncollectibles):			
Property taxes - current and delinquent	18,108,933		482,193
Accounts		1,410	
Accrued interest	20,375		
Due from other governments			1,764,956
Prepayments	28,996		
Materials and supplies inventory	10,311		
Restricted assets:			
Equity in pooled cash and cash equivalents	121,957		
Property, plant and equipment (net of accumulated depreciation where applicable)			
<b>Other Debits:</b>			
Amount to be provided for retirement of General Long-Term Obligations			
<b>Total assets and other debits</b>	<b>\$23,508,721</b>	<b>\$810,457</b>	<b>\$3,203,988</b>

<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$98,287	\$58,128			\$7,140,450
	72,509			72,509
				18,591,126
				1,410
2,376				1,767,332
				28,996
6,955				17,266
				121,957
79,399		\$16,426,125		16,505,524
			\$1,258,342	1,258,342
<b>\$187,017</b>	<b>\$130,637</b>	<b>\$16,426,125</b>	<b>\$1,258,342</b>	<b>\$45,525,287</b>

(Continued)

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
<b>Liabilities:</b>			
Accounts payable	\$137,566	\$35,331	
Contracts payable	89,346		\$617,755
Accrued wages and benefits	2,124,916	50,188	
Compensated absences payable	36,610		
Pension obligation payable	342,010	3,338	
Deferred revenue	16,676,579		2,195,349
Due to other governments	17,958		
Due to students			
Total liabilities	19,424,985	88,857	2,813,104
<b>Equity and Other Credits:</b>			
Investment in general fixed assets			
Contributed capital			
Retained earnings: unreserved			
Fund balances:			
Reserved for encumbrances	116,739	62,613	40,552
Reserved for supplies inventory	10,311		
Reserved for prepayments	28,996		
Reserved for tax revenue unavailable for appropriation	1,052,636		35,400
Reserved for principal endowment			
Reserved for scholarships			
Reserved for budget stabilization	121,957		
Unreserved-undesignated	2,753,097	658,987	314,932
Total equity and other credits	4,083,736	721,600	390,884
<b>Total liabilities, equity and other credits</b>	<b>\$23,508,721</b>	<b>\$810,457</b>	<b>\$3,203,988</b>

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$1,393	\$360			\$174,650
				707,101
14,958	22			2,190,084
6,375			\$1,112,076	1,155,061
41,956			146,266	533,570
59,831				18,931,759
	32,132			17,958
				32,132
<u>124,513</u>	<u>32,514</u>		<u>1,258,342</u>	<u>23,742,315</u>
		\$16,426,125		16,426,125
21,499				21,499
41,005				41,005
	150			220,054
				10,311
				28,996
				1,088,036
	60,000			60,000
	12,509			12,509
				121,957
	25,464			3,752,480
<u>62,504</u>	<u>98,123</u>	<u>16,426,125</u>		<u>21,782,972</u>
<u><b>\$187,017</b></u>	<u><b>\$130,637</b></u>	<u><b>\$16,426,125</b></u>	<u><b>\$1,258,342</b></u>	<u><b>\$45,525,287</b></u>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
<b>Revenues:</b>			
From local sources:			
Taxes	\$17,731,003		\$508,749
Tuition	182,872		
Earnings on investments	564,595	\$13,572	
Revenue in lieu of taxes			133,171
Other local revenues	237,701	566,145	
Intergovernmental - State	4,883,287	626,266	53,759
Intergovernmental - Federal	15,000	788,858	69,000
Total revenue	<u>23,614,458</u>	<u>1,994,841</u>	<u>764,679</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	11,800,217	403,713	45,670
Special	1,753,730	232,303	
Vocational	398,259		
Other	88,751		
Support services:			
Pupil	1,057,925	13,788	
Instructional staff	425,147	379,449	
Board of Education	35,813		
Administration	1,918,427	2,921	575
Fiscal	475,810	736	
Business	60,291	149,919	
Operations and maintenance	2,339,231	3,210	
Pupil transportation	572,829		
Central	140,775	28,880	
Community services		590,708	
Extracurricular activities	553,871	262,648	
Facilities services	253,341		1,044,809
Debt service:			
Interest and fiscal charges	27,627		
Total expenditures	<u>21,902,044</u>	<u>2,068,275</u>	<u>1,091,054</u>
Excess of revenues over (under) expenditures	<u>1,712,414</u>	<u>(73,434)</u>	<u>(326,375)</u>
<b>Other financing sources (uses):</b>			
Operating transfers in		250,000	
Operating transfers out	(385,000)		
Proceeds from sale of assets	1,478		
Total other financing sources (uses)	<u>(383,522)</u>	<u>250,000</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>1,328,892</u>	<u>176,566</u>	<u>(326,375)</u>
Fund balance, July 1	2,764,266	545,034	717,259
Increase in reserve for inventory	(9,422)		
<b>Fund balance, June 30</b>	<b><u>\$4,083,736</u></b>	<b><u>\$721,600</u></b>	<b><u>\$390,884</u></b>

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

<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	\$18,239,752
	182,872
\$518	578,685
	133,171
27,657	831,503
	5,563,312
	872,858
<u>28,175</u>	<u>26,402,153</u>
5,381	12,254,981
	1,986,033
	398,259
	88,751
	1,071,713
	804,596
	35,813
	1,921,923
	476,546
	210,210
	2,342,441
	572,829
	169,655
102	590,810
13,851	830,370
	1,298,150
	27,627
<u>19,334</u>	<u>25,080,707</u>
<u>8,841</u>	<u>1,321,446</u>
	250,000
	(385,000)
	1,478
	(133,522)
<u>8,841</u>	<u>1,187,924</u>
16,773	4,043,332
	(9,422)
<u><b>\$25,614</b></u>	<u><b>\$5,221,834</b></u>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS 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 FISCAL YEAR ENDED JUNE 30, 2001

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Total Revenues	\$21,275,631	\$22,446,898	\$1,171,267
Total Expenditures	24,497,084	22,311,815	2,185,269
Excess of Revenues Over (Under) Expenditures	(3,221,453)	135,083	3,356,536
Fund Balances at Beginning of Year	4,571,824	4,571,824	
Prior Year Encumbrances Appropriated	280,676	280,676	
<b>Fund Balances at End of Year</b>	<b>\$1,631,047</b>	<b>\$4,987,583</b>	<b>\$3,356,536</b>

	<b>Capital Projects Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Total Revenues	\$809,520	\$724,987	(\$84,533)
Total Expenditures	1,366,856	1,162,135	204,721
Excess of Revenues Over (Under) Expenditures	(557,336)	(437,148)	120,188
Fund Balances at Beginning of Year	294,663	294,663	
Prior Year Encumbrances Appropriated	441,017	441,017	
<b>Fund Balances at End of Year</b>	<b>\$178,344</b>	<b>\$298,532</b>	<b>\$120,188</b>

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

**Special Revenue Funds**

<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$2,561,431	\$2,239,063	(\$322,368)
2,488,270	2,201,521	286,749
73,161	37,542	(35,619)
381,314	381,314	
293,146	293,146	
<b>\$747,621</b>	<b>\$712,002</b>	<b>(\$35,619)</b>

**Totals (Memorandum Only)**

<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$24,646,582	\$25,410,948	\$764,366
28,352,210	25,675,471	2,676,739
(3,705,628)	(264,523)	3,441,105
5,247,801	5,247,801	
1,014,839	1,014,839	
<b>\$2,557,012</b>	<b>\$5,998,117</b>	<b>\$3,441,105</b>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS / FUND BALANCE  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating revenues:</b>			
Tuition and fees	\$186,442		\$186,442
Sales/charges for services	626,939		626,939
Investment earnings		\$4,132	4,132
Other operating revenues		20,117	20,117
	<hr/>	<hr/>	<hr/>
Total operating revenues	813,381	24,249	837,630
	<hr/>	<hr/>	<hr/>
<b>Operating expenses:</b>			
Personal services	533,062		533,062
Contract services	420,002		420,002
Materials and supplies	144,570		144,570
Depreciation	10,895		10,895
Other operating expenses	3,510	22,404	25,914
	<hr/>	<hr/>	<hr/>
Total operating expenses	1,112,039	22,404	1,134,443
	<hr/>	<hr/>	<hr/>
Operating income (loss)	(298,658)	1,845	(296,813)
	<hr/>	<hr/>	<hr/>
<b>Nonoperating revenues:</b>			
Operating grants	99,623		99,623
Federal commodities	33,816		33,816
Interest revenue	73		73
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues	133,512		133,512
	<hr/>	<hr/>	<hr/>
Net income (loss) before operating transfers	(165,146)	1,845	(163,301)
	<hr/>	<hr/>	<hr/>
Operating transfers in	135,000		135,000
	<hr/>	<hr/>	<hr/>
Net income (loss)	(30,146)	1,845	(28,301)
	<hr/>	<hr/>	<hr/>
Retained earnings/Fund Balance July 1	71,151	70,664	141,815
	<hr/>	<hr/>	<hr/>
<b>Retained earnings/Fund Balance June 30</b>	<b><u>\$41,005</u></b>	<b><u>\$72,509</u></b>	<b><u>\$113,514</u></b>

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

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Cash flows from operating activities:</b>			
Cash received from tuition and fees	\$242,324		\$242,324
Cash received from sales/service charges	626,939		626,939
Cash received from other operations		\$20,117	20,117
Cash payments for personal services	(544,156)		(544,156)
Cash payments for contract services	(420,372)		(420,372)
Cash payments supplies and materials	(111,711)		(111,711)
Cash payments for other expenses	(3,547)	(22,404)	(25,951)
Net cash provided by (used in) operating activities	<u>(210,523)</u>	<u>(2,287)</u>	<u>(212,810)</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from operating grants	97,247		97,247
Transfers in from other funds	135,000		135,000
Net cash provided by noncapital financing activities	<u>232,247</u>		<u>232,247</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	(48,945)		(48,945)
<b>Cash flows from investing activities:</b>			
Interest received	73	4,132	4,205
Net increase (decrease) in cash and cash equivalents	(27,148)	1,845	(25,303)
Cash and cash equivalents at beginning of year	125,435	70,664	196,099
<b>Cash and cash equivalents at end of year</b>	<b><u>\$98,287</u></b>	<b><u>\$72,509</u></b>	<b><u>\$170,796</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	(\$298,658)	\$1,845	(\$296,813)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>			
Depreciation	10,895		10,895
Federal donated commodities	33,816		33,816
Interest reported as operating income		(4,132)	(4,132)
Changes in assets and liabilities:			
Decrease in supplies inventory	2,424		2,424
Decrease in accounts receivable	37		37
Increase in accounts payable	(3,581)		(3,581)
Decrease in accrued wages and benefits	3,825		3,825
Increase in compensated absences payable	(5,411)		(5,411)
Increase in pension obligation payable	(9,508)		(9,508)
Decrease in deferred revenue	55,638		55,638
<b>Net cash used by operating activities</b>	<b><u>(\$210,523)</u></b>	<b><u>(\$2,287)</u></b>	<b><u>(\$212,810)</u></b>

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

**This page intentionally left blank.**

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

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

The Maumee City School District (the District) is located in Lucas County, located in northwest Ohio, encompassing all of the most City of Maumee and parts of the City of Toledo.

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 ranks as the 159<sup>th</sup> largest by enrollment among the 682 public and community school districts in the State. It currently operates 4 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 124 non-certified and 230 certified full-time and part-time employees to provide services to approximately 3,027 students in grades K through 12 and various community groups.

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

The financial statements 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.

*Jointly Governed Organizations:*

Northwest Ohio Computer Association (NWOCA)

The District is a participant with 28 other school districts in a jointly governed organization to operate NWOCA. NWOCA was formed for the purpose of providing computer services. NWOCA is governed by a board of directors consisting of the superintendents of the member school

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District does not have an ongoing financial interest or responsibility in NWOCA.

Penta Career Center

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

**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 Ohio Statute.

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

Capital Projects Funds - The 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 and Trust 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

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

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*

Trust and 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 Expendable Trust, Nonexpendable Trust, and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental funds. Nonexpendable Trust funds are accounted for in essentially the same manner as Proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds are presented on a budgetary basis, with note disclosure, if applicable, 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 and Nonexpendable Trust Fund.

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 and Nonexpendable Trust Fund.

**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 and the Expendable Trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally 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.

All Proprietary and Nonexpendable Trust 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 and Expendable Trust 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 interest, tuition,

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). 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 an advance 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.

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.

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.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the 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 and Nonexpendable Trust 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 on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

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:

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

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 Lucas County Budget Commission for tax rate determination.
3. Prior to March 15, 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.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interest 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 but three funds (See Note 3.C.) 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 during fiscal 2001 were legally enacted by the Board as follows:

	Increase
General	\$2,221,530
Special Revenue	1,074,586
Capital Projects	546,560

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

Enterprise	415,080
Trust Fund	<u>61,180</u>
TOTAL	<u>\$4,318,936</u>

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements 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 (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 11.

**E. Cash and Investments**

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" on the combined balance sheet.

During 2001 investments included the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, federal agency securities, and a money market mutual fund.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statutes all investment earnings are assigned to the General fund except for those specifically related to the Education Foundation fund, Food Service fund, and certain trust funds individually authorized by Board resolution. The following funds were credited with more interest revenue than would have been received based upon their share of the District's investments:

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

	<u>Interest Actually Received</u>	<u>Interest Based upon Share of Investments</u>	<u>Interest Assigned from Other Funds</u>
General	\$504,985	\$380,456	\$124,529
Special Revenue Funds	11,258	0	11,258
Expendable Trusts Funds	518	0	518
Non Expendable Trust Funds	4,132	0	4,132
Food Service Fund	73	0	73

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. Prepaids**

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**H. 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 has a policy of not capitalizing assets with a cost of less than \$500. The cost 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. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary and Nonexpendable Trust 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

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

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 and Equipment	8 - 20

**I. Intergovernmental Revenues**

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

<u>Entitlements</u>	<u>Non-Reimbursable Grants-(Continued)</u>
<p style="margin-left: 20px;"><u>General Fund</u></p> <p style="margin-left: 40px;">State Foundation Program</p> <p style="margin-left: 40px;">State Property Tax Relief</p> <p style="margin-left: 20px; margin-top: 10px;"><u>Capital Projects Funds</u></p> <p style="margin-left: 40px;">State Property Tax Relief</p> <p style="margin-left: 20px; margin-top: 10px;"><u>Special Revenue Funds</u></p> <p style="margin-left: 40px;">Auxiliary Services</p> <p style="margin-left: 20px; margin-top: 10px;"><u>Non-Reimbursable Grants</u></p> <p style="margin-left: 20px;"><u>Special Revenue Funds</u></p> <p style="margin-left: 40px;">Technology Grant</p> <p style="margin-left: 40px;">Teacher Development</p> <p style="margin-left: 20px; margin-top: 10px;"><u>Capital Projects Funds</u></p> <p style="margin-left: 40px;">SchoolNet</p> <p style="margin-left: 20px; margin-top: 10px;"><u>Reimbursable Grants</u></p> <p style="margin-left: 20px;"><u>General Fund</u></p> <p style="margin-left: 40px;">School Bus Purchases</p> <p style="margin-left: 40px;">Driver Education</p> <p style="margin-left: 20px; margin-top: 10px;"><u>Special Revenue Funds</u></p> <p style="margin-left: 40px;">Underground Storage Tank</p> <p style="margin-left: 40px;">Telecommunications</p> <p style="margin-left: 20px; margin-top: 10px;"><u>Proprietary Funds</u></p> <p style="margin-left: 40px;">National School Lunch Program</p> <p style="margin-left: 40px;">National School Milk Program</p> <p style="margin-left: 40px;">Adult Education</p>	<p style="margin-left: 20px;"><u>Special Revenue Funds - (Continued)</u></p> <p style="margin-left: 40px;">Venture Capital</p> <p style="margin-left: 40px;">SchoolNet Professional Development</p> <p style="margin-left: 40px;">Educational Television</p> <p style="margin-left: 40px;">Management Information Systems</p> <p style="margin-left: 40px;">Title VI-B</p> <p style="margin-left: 40px;">Title I</p> <p style="margin-left: 40px;">Title VI</p> <p style="margin-left: 40px;">Drug-Free Schools</p> <p style="margin-left: 40px;">Ohio Reads</p> <p style="margin-left: 40px;">Data Communication</p> <p style="margin-left: 40px;">Instructional Materials Subsidy</p> <p style="margin-left: 40px;">Summer Intervention</p>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

Grants and entitlements amounted to 23.9% of the District's operating revenue during the 2001 fiscal year.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability 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 age fifty (50) or greater with at least twenty-two (22) years of service; or any employee age sixty (60) with a minimum of five (5) years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at 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 liability 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 severance liability for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**K. Contributed Capital**

Contributed capital reported in the Enterprise funds represents resources provided from other funds, other governments, or private sources that is not subject to repayment. These assets are recorded at fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Contributed capital did not change during fiscal year 2001.

**L. 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.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

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

**M. Fund Equity**

Contributed capital is recorded in Proprietary funds which received capital grants or contributions from other funds. 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, materials and supplies inventory, prepaids, tax revenue unavailable for appropriation, and budget stabilization. In addition, although the Nonexpendable Trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment, and for available cash from which student scholarships will be made. 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.

**N. 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 report 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.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

**O. 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>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside balance as of July 1, 2000	\$ (29,547)	\$ 0	\$ 565,183
Current year set-aside requirement	578,243	578,243	
Change in statutory requirement			(443,226)
Qualifying disbursements	<u>(587,779)</u>	<u>(637,460)</u>	<u>          </u>
Total	<u>\$ (39,083)</u>	<u>\$ (59,217)</u>	<u>\$121,957</u>
Balance carried forward to FY 2002	<u>\$ (39,083)</u>	<u>\$ 0</u>	<u>\$121,957</u>

The District had offsets and qualifying disbursements during the year that reduced the textbook set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

Although the District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirements of future years. This negative amount is therefore not presented as being carried forward to the next fiscal year.

**P. 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 Proprietary and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include investments of the cash management pool and all short term investments (maturity of 90 days or less from date of purchase).

**Q. Parochial Schools**

Within the District boundaries, St. Joseph School and St. Patrick School are operated by the Toledo Catholic Diocese. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial school. The receipt and expenditure of these state monies by the District are reflected as Special Revenue funds for financial reporting purposes.

**R. 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. 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.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

**S. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles, 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.

**T. Restricted Funds**

Restricted assets in the general fund represent cash set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only for specific purposes. The total restricted cash as of June 30, 2001 was \$121,957. Fund balance reserves have also been established.

**U. Memorandum Only - Total Columns**

Total columns on the General Purpose Financial Statements 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 cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances/Retained Earnings**

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

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Title VI-B	\$ (8,924)
Title I	(21,363)
 <u>Enterprise Funds</u>	
Food Service	(1,158)

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.

**B. Change in Accounting Principle**

GASB Statements No. 33, Accounting and Financial Reporting for Nonexchange Transactions and No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues were implemented during fiscal 2001. In accordance with these statements, 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 these statements had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

- C. The following funds had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Special Levy	\$33,750
Miscellaneous State Grants	271
Drug-Free School Grant	1,426
<u>Capital Project Funds</u>	
SchoolNet Equipment	44,634
<u>Enterprise Funds</u>	
Adult Education	5,959

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

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District's 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, 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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash on Hand:* At year end, the District had \$8,110 in undeposited cash on hand which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

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

*Deposits:* At year-end the carrying amount of the District's deposits was \$(560,056) and the bank balance was zero. The District did not record a liability due to the 'zero balance' nature of its bank accounts.

*Investments:* The District's investment are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio and money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

	<u>Category of Risk</u>			<u>Carrying Value</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Federal Agency Securities		\$2,508,036		\$2,508,036	\$2,508,036
Repurchase Agreement	\$100,000		\$569,823	669,823	669,823
Not Subject to Categorization:					
Investment in State					
Treasurer's Investment Pool				2,542,767	2,542,767
Money Market Mutual Funds				2,166,236	2,166,236
Total Investments	<u>\$100,000</u>	<u>\$2,508,036</u>	<u>\$569,823</u>	<u>\$7,886,862</u>	<u>\$7,886,862</u>

The federal agency securities have maturity dates of November 15, 2001 and April 30, 2003.

The classification of cash, cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash, cash equivalents, and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 7,334,916	
Investments of the Cash		
Management Pool:		
Federal Agency Securities	(2,508,036)	\$2,508,036
Repurchase Agreement	(669,823)	669,823
State Treasurer's Investment Pool	(2,542,767)	2,542,767
Money Market Mutual Funds	(2,166,236)	2,166,236
Cash on Hand	<u>(8,110)</u>	
GASB Statement No. 3	<u>\$ (560,056)</u>	<u>\$7,886,862</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

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

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$(385,000)
Special Revenue Funds:		
Technology Grant	\$250,000	
Enterprise Funds:		
Food Service	<u>135,000</u>	
Totals	<u>\$385,000</u>	<u>\$(385,000)</u>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

**NOTE 6 - 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.

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	\$335,912,820	77.03	\$397,343,260	78.7
Public Utility Personal	19,345,120	4.43	20,694,520	4.1
Tangible Personal Property	80,849,165	18.54	86,937,939	17.2
	\$436,107,105	100.00	\$504,975,719	100.00

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

Operations	\$63.40	\$63.40
Permanent Improvements	1.50	1.50

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 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 Lucas County Treasurer collects property tax 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 real tax advances of the August

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

settlement available June 30) 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 \$1,052,636 in the General fund and \$35,400 in the Permanent Improvements fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2001 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to 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 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	\$18,108,933
 <u>Capital Project Funds</u>	
Due from Other Governments	1,764,956
Taxes - Current and Delinquent	482,193

**NOTE 8 - FIXED ASSETS**

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

	<u>Balance July 1, 2000</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2001</u>
Land/Improvements	\$ 1,467,627			\$ 1,467,627
Buildings	7,855,633	\$ 529,246		8,384,879
Furniture/Equipment	4,685,561	763,018	\$ (37,431)	5,411,148
Vehicles	1,146,057	16,414		1,162,471
Construction in Progress	<u>463,056</u>	<u>          </u>	<u>(463,056)</u>	<u>0</u>
Total	<u>\$15,617,934</u>	<u>\$1,308,678</u>	<u>\$(500,487)</u>	<u>\$16,426,125</u>

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

	<u>Proprietary and Nonexpendable Trust</u>
Furniture and Equipment	\$ 319,350
Less Accumulated Depreciation	<u>(239,951)</u>
Net Fixed Assets	<u>\$ 79,399</u>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

**NOTE 9 - LONG-TERM DEBT**

- A. 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 obligation payable will ultimately be paid from the fund from which the employee is paid.

	<u>Balance</u> <u>July 1, 2000</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2001</u>
Compensated Absences	\$1,181,731	\$147,813	\$(217,468)	\$1,112,076
Pension obligation payable	<u>151,715</u>	<u>146,266</u>	<u>(151,715)</u>	<u>146,266</u>
Total	<u>\$1,333,446</u>	<u>\$294,079</u>	<u>\$(369,183)</u>	<u>\$1,258,342</u>

**B. Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$45,447,815 and an unvoted debt margin of \$504,976.

**NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters.

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured, to a limit of \$58,276,000.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The District has liability insurance coverage limits of \$1,000,000 per claim and \$3,000,000 annual aggregate.

The District offers group medical and dental insurances to all employees. Depending upon the plan chosen, the employees share a portion of the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Regardless of the plan utilized by the employees, all group benefit plans are traditionally funded, and the District does not retain any risk of loss.

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 reduction in amounts of insurance coverage from 2000.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

**NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains three Enterprise funds to account for the operations of food service, uniform school supplies, and adult education programs. 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 Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenue	\$ 626,939	\$99,002	\$ 87,440	\$ 813,381
Depreciation Expense	10,895			10,895
Operating Income (Loss)	(239,632)	3,501	(62,527)	(298,658)
Non-operating revenues:				
Donated Federal Commodities	33,816			33,816
Operating Grants	99,623			99,623
Operating Transfers:				
In	135,000			135,000
Net Income (Loss)	28,880	3,501	(62,527)	(30,146)
Net Working Capital	(52,683)	19,429	22,734	(10,520)
Fixed Assets:				
Additions	48,945			48,945
Total Assets	67,859	20,822	98,336	187,017
Long-Term Liabilities				
Payable from Fund				
Revenue	6,375			6,375
Contributed Capital	21,499			21,499
Total Equity	20,341	19,429	22,734	62,504
Encumbrances Outstanding as of 06/30/01		1,601	50	1,651

**NOTE 12 - 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, 45 North Fourth 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 \$432,720, \$390,631, and \$360,271, respectively; 60 percent has been

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$173,844, which represents 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.

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 \$1,838,529, \$1,768,464, and \$1,635,303, respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$296,680, which represents 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.

**NOTE 13 - 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 are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$590,956 during the 2001 fiscal year.

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.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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.

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. 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 percent 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 \$320,791 during the 2001 fiscal year.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The 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, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

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

	Governmental Fund Types		
	General Fund	Special Revenue Funds	Capital Projects Funds
Budget Basis	\$ 135,083	\$ 37,542	\$(437,148)
Net Adjustment for Revenue Accruals	1,170,584	5,779	39,691
Net Adjustment for Expenditure Accruals	(234,063)	36,200	(587,225)
Net Adjustment for Other Sources/Uses	(60,938)		
Adjustment for fund reclassification	59,391		
Adjustment for Encumbrances	<u>258,835</u>	<u>97,045</u>	<u>658,307</u>
GAAP Basis	<u>\$1,328,892</u>	<u>\$176,566</u>	<u>\$(326,375)</u>

**NOTE 15 - CONTINGENT LIABILITIES**

**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**

As of the balance sheet date the District was a defendant in a wrongful death and a deprivation of rights lawsuit. The District's liability insurance coverage is \$1,000,000 per claim, \$3,000,000 aggregate. The District may be liable for up to \$50,000 of legal fees in the wrongful death lawsuit.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

**C. 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 March 28, 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 the reconsideration will have on its future State funding and on its financial operations.

**NOTE 16 - COMMUNITY REINVESTMENT AREA**

In 1996, the City of Maumee established a "Community Reinvestment Area" (CRA) as permitted by Ohio Statute. The City has, to date, granted incentives to six companies within the CRA. The tax incentives will result in a loss of local tax revenue to the District through 2008, which, the District's administrative believes, could cumulatively total over \$1 million.

**NOTE 17 - OUTSTANDING CONTRACTUAL COMMITMENTS**

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

<u>Project</u>	<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Balance Remaining</u>
All Weather Track	Atlas Paving	\$164,309	\$138,488	\$ 25,821
Telephone System Replacement	Citi-Tel Communications	215,661	0	215,661
Roof Replacement	United Roofing & Sheet Metal	96,500	0	96,500

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

Dump Truck Replacement	Kistler Ford	44,619	0	44,619
Gymnasium Bleachers	Farnham Company	38,900	0	38,900
Structural Work	Grunwell-Cashero	266,520	0	266,520
Physics Lab Renovations	Folding Equipment	14,990	0	14,990
	Romanoff Electric	3,916	0	3,916

**NOTE 18 - SIGNIFICANT SUBSEQUENT EVENTS**

**A. Labor Contract**

The District approved a new labor contract with MEA, the certified employees' labor union, effective January 1, 2002. The District estimates the financial impact of increased wages and benefits to be \$1,706,960 annually over the 3 year life of the contract.

**This page intentionally left blank.**

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Grant Number
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b> <i>Passed through the Ohio Department of Education</i>		
<i>Nutrition Cluster:</i>		
National School Lunch	10.555	03-PU-00 03-PU-01 04-PU-01
<i>Total - National School Lunch</i>		
Food Distribution	10.550	
<i>Total Department of Agriculture - Nutrition Cluster</i>		
<b>UNITED STATES DEPARTMENT OF EDUCATION</b> <i>Passed through the Ohio Department of Education</i>		
Handicapped Preschool and School Programs, Title VI-B	84.027	6B-A1-00 6B-SF-00P 6B-SF-01P
<i>Total Title VI-B</i>		
Title I	84.010	C1-S1-00 C1-S1-01
<i>Total - Title I</i>		
Drug Free Schools	84.186	DR-S1-00 DR-S1-01
<i>Total - Drug Free Schools</i>		
Goals 2000	84.276	G2-S2-99 C2-S1-98 C2-S1-00
Technology Literacy Challenge	84.318	TF-31-98P TF-31-99P TF-31-00P TF-41-01P TF-41-01P TF-41-01P
<i>Total - Technology Literacy Challenge</i>		
Eisenhower, ISAS Title II	84.281	MS-S1-00 MS-S1-01
<i>Total - Eisenhower</i>		
Class Size Reduction, ISAS Title VI	84.340	CR-S1-00 CR-S1-01
<i>Total - Class Size Reduction</i>		
Total Department of Education		
<b>UNITED STATES HEALTH AND HUMAN SERVICES</b> <i>Passed through the Lucas County Board of Mental Retardation and Developmental Disabilities</i>		
Community Alternative Funding System (CAFS) Medicare	93.778	

**TOTAL FEDERAL ASSISTANCE**

*The accompanying notes are an integral part of this schedule*

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
\$11,259		\$11,259	
50,889		50,889	
31,898		31,898	
<u>94,046</u>		<u>94,046</u>	
	<u>\$33,212</u>		<u>\$33,816</u>
<u>94,046</u>	<u>33,212</u>	<u>94,046</u>	<u>33,816</u>
10,000		6,351	
60,134		29,081	
238,134		210,163	
<u>308,268</u>		<u>245,595</u>	
		(18,382)	
<u>144,688</u>		<u>144,688</u>	
144,688		126,306	
11,635		13,789	
24,330		17,203	
<u>35,965</u>		<u>30,992</u>	
8,575		16,931	
<u>17,071</u>		<u>10,179</u>	
4,658		4,616	
		62,500	
125,000		125,000	
75,000		75,000	
25,000		17,132	
<u>229,658</u>		<u>284,248</u>	
		899	
<u>8,153</u>		<u>5,084</u>	
8,153		5,983	
15			
<u>10,089</u>			
10,104			
<u>761,501</u>		<u>720,443</u>	
18,406		18,406	
<u><b>\$873,953</b></u>	<u><b>\$33,212</b></u>	<u><b>\$832,895</b></u>	<u><b>\$33,816</b></u>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

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

Maumee City School District  
Lucas County  
2345 Detroit Avenue  
Maumee, Ohio 43537-3799

To the Board of Education:

We have audited the financial statements of Maumee City School District as of and for the year ended June 30, 2001, and have issued our report thereon dated March 28, 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 the 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated March 28, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 not require inclusion in this report, that we have reported to management of the School District in a separate letter dated March 28, 2002.

Maumee City School District  
Lucas County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

March 28, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Maumee City School District  
Lucas County  
2345 Detroit Avenue  
Maumee, Ohio 43537-3799

To the Board of Education:

**Compliance**

We have audited the compliance of Maumee City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

**Internal Control Over Compliance**

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

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

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

**Jim Petro**  
Auditor of State

March 28, 2002

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Technology Literacy Challenge CFDA # 84.318
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: > \$ 100,000
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**MAUMEE CITY SCHOOL DISTRICT**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 9, 2002**