

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012***

**PAUL BROTZKI, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Maumee City School District  
716 Askin Street  
Maumee, Ohio 43537

We have reviewed the *Independent Accountants' Report* of the Maumee City School District, Lucas County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 14, 2012

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**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

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## **Julian & Grube, Inc.** *Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Accountants' Report

Maumee City School District  
716 Askin Street  
Maumee, OH 43537

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Maumee City School District, Lucas County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Maumee City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Maumee City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code §117-2-03(B) requires the Maumee City School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Maumee City School District, Lucas County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the accounting basis Note 2 describes.

For the fiscal year 2012, the Maumee City School District changed its accounting basis from accounting principles generally accepted in the United States of America to the cash basis of accounting. See Note 3 for further information.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the Maumee City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Board of Education  
Maumee City School District  
Page Two

We conducted our audit to opine on the Maumee City School District's financial statements taken as a whole. Management's Discussion and Analysis on pages 3 through 13 includes tables of net cash assets, changes in net cash assets, governmental activities, fund cash balance, General fund - cash receipts, General fund - cash disbursements and long-term obligations. The schedule of receipts and expenditures of federal awards on page 45 (the "Schedule") is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However, these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

A handwritten signature in cursive script that reads "Julian E. Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.  
September 28, 2012



**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The management's discussion and analysis of the Maumee City School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2012, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis basic financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2012 are as follows:

- The total net cash assets of the District increased \$446,759 or 9.66% from fiscal year 2011.
- General cash receipts accounted for \$50,637,305 or 92.05% of total governmental activities cash receipts. Program specific cash receipts accounted for \$4,375,983 or 7.95% of total governmental activities cash receipts.
- The District had \$54,566,529 in cash disbursements related to governmental activities; \$4,375,983 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) and entitlements not restricted of \$50,637,305 were adequate to provide for these programs.
- The District's major funds are the general fund and the debt service fund. The general fund had cash receipts and other financing sources of \$29,174,553 in 2012. The cash disbursements and other financing uses of the general fund, totaled \$28,980,081 in 2012. The general fund's cash balance increased \$194,472 from 2011 to 2012.
- The debt service fund had cash receipts and other financing sources of \$22,582,590 in 2012. The cash disbursements and other financing uses of the debt service fund, totaled \$22,345,399 in 2012. The debt service fund's cash balance increased \$237,191 from 2011 to 2012.

**Using this Cash Basis Basic Financial Statements (BFS)**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The statement of net assets - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the debt service fund are the most significant funds, and the only governmental funds reported as major funds.

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

The statement of net assets - cash basis and the statement of activities - cash basis answer the question, "How did we do financially during 2012?" These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net assets - cash basis and the statement of activities - cash basis, the governmental activities include District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The statement of net assets - cash basis and the statement of activities - cash basis can be found on pages 14-15 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the debt service fund. The analysis of the District's major governmental funds begins on page 10.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. The governmental fund statements can be found on pages 16-19 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private purpose trust fund and an agency fund. The basic fiduciary fund financial statements can be found on pages 20 and 21 of this report.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

*Notes to the Financial Statements*

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-44 of this report.

**Government-Wide Financial Analysis**

Recall that the statement of net assets - cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for at June 30, 2012 and June 30, 2011. Amounts at June 30, 2011 for the District were restated as described in Note 3 to the basic financial statements.

	<b>Net Cash Assets</b>	
	Governmental Activities <u>2012</u>	Restated Governmental Activities <u>2011</u>
<u>Assets</u>		
Equity in pooled cash and investments	\$ 5,073,527	\$ 4,626,768
Total assets	<u>5,073,527</u>	<u>4,626,768</u>
<u>Net Cash Assets</u>		
Restricted	2,037,377	1,785,090
Unrestricted	<u>3,036,150</u>	<u>2,841,678</u>
Total net cash assets	<u>\$ 5,073,527</u>	<u>\$ 4,626,768</u>

The total net cash assets of the District increased \$446,759, which represents a 9.66% increase from fiscal year 2011. The increase is due primarily to the increase in property tax receipts during fiscal year 2012.

The balance of government-wide unrestricted net cash assets of \$3,036,150 may be used to meet the government's ongoing obligations to citizens and creditors.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The table below shows the changes in net cash assets for fiscal year 2012 and 2011. Amounts at June 30, 2011 for the District were restated as described in Note 3 to the basic financial statements.

	<b>Changes in Net Cash Assets</b>	
	Governmental	Restated
	Activities	Governmental
	<u>2012</u>	<u>2011</u>
<b>Cash Receipts:</b>		
Program cash receipts:		
Charges for services and sales	\$ 1,582,893	\$ 1,648,604
Operating grants and contributions	<u>2,793,090</u>	<u>3,131,683</u>
Total program cash receipts	<u>4,375,983</u>	<u>4,780,287</u>
General cash receipts:		
Property and other taxes	20,965,905	19,499,317
Unrestricted grants	9,620,264	10,223,726
Sale of refunding bonds	17,984,963	-
Premium on refunding bonds	2,009,836	-
Investment earnings	13,304	22,632
Other	<u>43,033</u>	<u>46,680</u>
Total general cash receipts	<u>50,637,305</u>	<u>29,792,355</u>
Total cash receipts	<u>55,013,288</u>	<u>34,572,642</u>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Changes in Net Cash Assets (Continued)**

	Governmental Activities <u>2012</u>	Restated Governmental Activities <u>2011</u>
<b>Cash Disbursements:</b>		
Instruction:		
Regular	\$ 15,506,261	\$ 14,593,964
Special	2,780,003	2,813,265
Vocational	225,934	289,707
Adult/continuing	4,337	7,699
Other	647,189	800,478
Support services:		
Pupil	1,217,032	1,193,583
Instructional staff	985,814	825,900
Board of education	35,474	29,570
Administration	2,451,217	2,353,239
Fiscal	859,965	773,448
Business	203,067	221,244
Operations and maintenance	3,022,219	3,118,294
Pupil transportation	1,060,586	975,267
Central	586,153	327,505
Operation of non instructional services:		
Other non-instructional services	473,599	527,019
Food service operations	891,959	855,155
Extracurricular	933,951	992,964
Facilities acquisition and construction	374,567	456,961
Debt service:		
Principal retirement	975,000	950,000
Interest and fiscal charges	1,337,403	1,671,440
Bond issuance costs	280,020	-
Payment to bond refunding escrow agent	<u>19,714,779</u>	<u>-</u>
Total cash disbursements	<u>54,566,529</u>	<u>33,776,702</u>
Change in net cash assets	446,759	795,940
Net cash assets at beginning of year (restated)	<u>4,626,768</u>	<u>3,830,828</u>
Net cash assets at end of year	<u><u>\$ 5,073,527</u></u>	<u><u>\$ 4,626,768</u></u>

**Governmental Activities**

Governmental net cash assets increased by \$446,759 in fiscal year 2012 from fiscal year 2011. The increase is due primarily to the increase in property tax receipts. Total governmental cash disbursements of \$54,566,529 were offset by program cash receipts of \$4,375,983 and general cash receipts of \$50,637,305. Program receipts supported 8.02% of the total governmental cash disbursements.

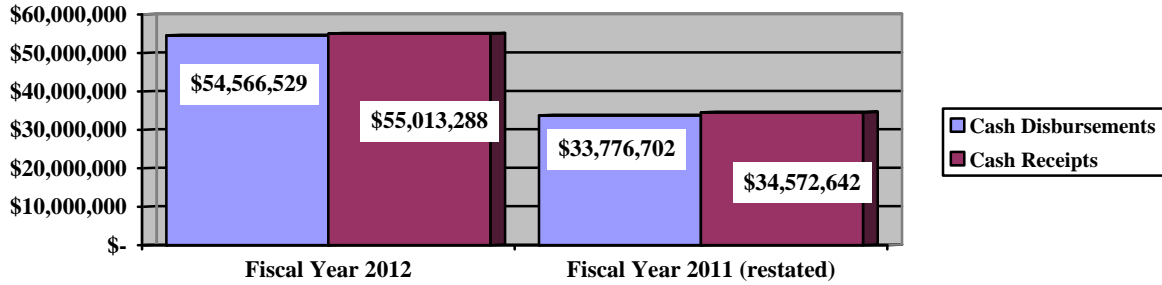
The primary sources of cash receipts for governmental activities are derived from property taxes, and grants and entitlements. These cash receipt sources represent 55.60% of total governmental cash receipts. Real estate property is reappraised every six years.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2011 and 2012. Amounts at June 30, 2011 for the District were restated as described in Note 3 to the basic financial statements.

**Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements**



**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements.

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Restated Total Cost of Services	Restated Net Cost of Services
	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
Cash disbursements:				
Instruction:				
Regular	\$ 15,506,261	\$ 14,557,738	\$ 14,593,964	\$ 13,731,942
Special	2,780,003	1,834,798	2,813,265	1,679,652
Vocational	225,934	210,851	289,707	274,624
Adult/continuing	4,337	1,677	7,699	4,459
Other	647,189	647,189	800,478	454,838
Support services:				
Pupil	1,217,032	1,202,040	1,193,583	1,166,021
Instructional staff	985,814	752,583	825,900	610,924
Board of education	35,474	35,474	29,570	29,570
Administration	2,451,217	2,447,589	2,353,239	2,353,239
Fiscal	859,965	859,965	773,448	768,448
Business	203,067	4,670	221,244	3,864
Operations and maintenance	3,022,219	2,937,178	3,118,294	3,049,450
Pupil transportation	1,060,586	1,009,010	975,267	928,381
Central	586,153	454,457	327,505	201,633
Operation of non instructional services:				
Other non-instructional services	473,599	(55,769)	527,019	38,837
Food service operations	891,959	(1,007)	855,155	(11,466)
Extracurricular	933,951	610,334	992,964	633,598
Facilities acquisition and construction	374,567	374,567	456,961	456,961
Debt service:				
Principal retirement	975,000	975,000	950,000	950,000
Interest and fiscal charges	1,337,403	1,337,403	1,671,440	1,671,440
Bond issuance costs	280,020	280,020	-	-
Payment to refunded bond escrow agent	19,714,779	19,714,779	-	-
<b>Total</b>	<b><u>\$ 54,566,529</u></b>	<b><u>\$ 50,190,546</u></b>	<b><u>\$ 33,776,702</u></b>	<b><u>\$ 28,996,415</u></b>

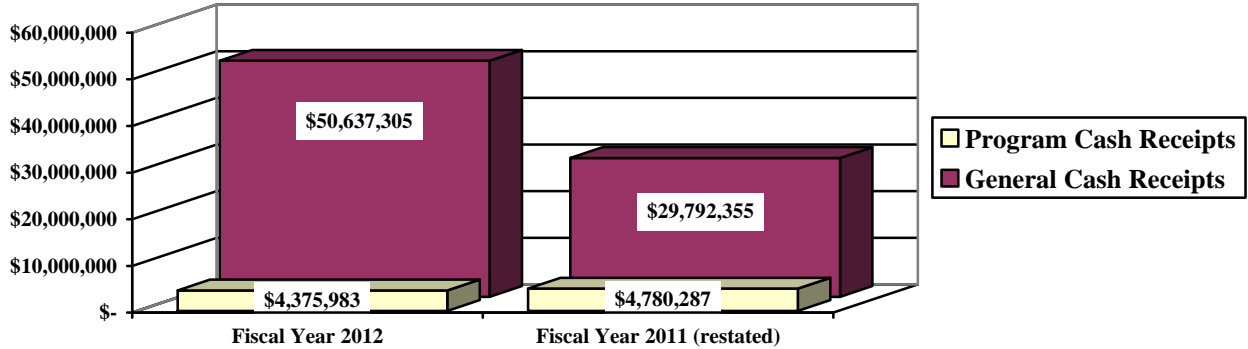
The dependence upon general cash receipts for governmental activities is apparent; with 91.98% of cash disbursements supported through taxes and other general cash receipts during 2012.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The graph below presents the District's governmental activities cash receipts for fiscal years 2012 and 2011. Amounts at June 30, 2011 for the District were restated as described in Note 3 to the basic financial statements.

**Governmental Activities - General and Program Cash Receipts**



**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund cash balance of \$5,073,527, which is \$446,759 greater than last year's restated total of \$4,626,768. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2012 and June 30, 2011, for all major and nonmajor governmental funds. Amounts at June 30, 2011 for the District were restated as described in Note 3 to the basic financial statements.

	Fund Cash Balance June 30, 2012	Restated Fund Cash Balance June 30, 2011	Increase (Decrease)
Major funds:			
General	\$ 3,036,150	\$ 2,841,678	\$ 194,472
Debt service	1,144,444	907,253	237,191
Other nonmajor governmental funds	<u>892,933</u>	<u>877,837</u>	<u>15,096</u>
Total	<u>\$ 5,073,527</u>	<u>\$ 4,626,768</u>	<u>\$ 446,759</u>



**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

***General Fund***

The general fund, the District's largest major fund, had cash receipts and other financing sources of \$29,174,553 in 2012. The cash disbursements and other financing uses of the general fund, totaled \$28,980,081 in 2012. The general fund's fund balance increased \$194,472 from 2011 to 2012. Total general fund cash receipts increased 3.11 percent over fiscal year 2011. The largest increase in cash receipts was in taxes and the largest decrease was in intergovernmental receipts. The increase in tax receipts is due to the passage of a 4.9 mill levy in November 2011. The primary reason for the increase in general fund cash fund balance is due to increasing receipts exceeding increasing disbursements.

The table that follows assists in illustrating the cash receipts of the general fund.

	2012 <u>Amount</u>	Restated 2011 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 18,528,345	\$ 17,151,943	8.02 %
Tuition	380,350	395,629	(3.86) %
Earnings on investments	10,782	19,788	(45.51) %
Classroom materials and fees	190,766	185,472	2.85 %
Intergovernmental	9,589,715	10,103,284	(5.08) %
Other revenues	<u>389,792</u>	<u>357,255</u>	9.11 %
Total	<u>\$ 29,089,750</u>	<u>\$ 28,213,371</u>	3.11 %

The table that follows assists in illustrating the cash disbursements of the general fund.

	2012 <u>Amount</u>	Restated 2011 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Cash Disbursements</u></b>			
Instruction	\$ 18,155,633	\$ 17,090,272	6.23 %
Support services	10,043,108	9,416,994	6.65 %
Operation of non instruction	50,307	34,015	47.90 %
Extracurricular	<u>694,733</u>	<u>677,657</u>	2.52 %
Total	<u>\$ 28,943,781</u>	<u>\$ 27,218,938</u>	6.34 %

***Debt Service Fund***

The debt service fund had cash receipts and other financing sources of \$22,582,590 in 2012. The cash disbursements and other financing uses of the debt service fund, totaled \$22,345,399 in 2012. The fund cash balance of the debt service fund increased \$237,191 over fiscal year 2011. The other financing sources and uses in the debt service fund were the result of two advance refunding transactions during fiscal year 2012. The District entered into these transactions in order to take advantage of the current low interest rates.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

***Budgeting Highlights - General Fund***

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

During the course of fiscal year 2012, the District amended its general fund budget numerous times. For the general fund, original budgeted receipts and other financing sources were \$27,800,500 they were increased to \$28,595,827 in the final budgeted receipts. Actual receipts and other financing sources for fiscal year 2012 were \$28,809,791. This represents a \$213,964 increase over final budgeted receipts.

General fund original appropriations (appropriated cash disbursements including other financing uses) of \$28,224,777 were increased to \$28,882,537 in the final appropriations. The actual budget basis disbursements for fiscal year 2012 totaled \$28,814,320, which was \$68,217 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

***Debt Administration***

The District had the following long-term obligations outstanding at June 30, 2012 and 2011. Amounts at June 30, 2011 for the District were restated as described in Note 3 to the basic financial statements.

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
General obligation bonds	<u>\$ 33,261,010</u>	<u>\$ 34,205,000</u>
Total long-term obligations	<u>\$ 33,261,010</u>	<u>\$ 34,205,000</u>

See Note 7 to the basic financial statements for more detail on the District's long-term obligations.

**Current Financial Related Activities**

Traditionally the District has had a strong financial base and a somewhat stable revenue source. As the preceding information shows, the District relies heavily on property taxes and the State Foundation Program. The District recently passed a 4.9 mill levy in November 2011, but that still does not shroud it from the economic downturn on both the national and State level. The effects are being felt in job loss, layoffs, reduced income and the decline in property values for the past 6 years. Other factors affecting the District are the requirements of Federal and State regulations, including but not limited to the No Child Left Behind Act, 3<sup>rd</sup> grade reading guarantee, AYP, RTI and the Ohio Improvement Process.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Considering the external economic challenges, the District's financial outlook is not as solid as many believe. The Board of Education and administration closely monitor its receipts and disbursements in accordance with its financial forecast. In spite of the projected monetary shortfall, the District continues to perform at one of the highest levels determined by the State of Ohio. Our most recent report card gives the District an "Excellent" rating and shows the District's students achieving in 25 of 26 measurement indicators.

The District communicates to its community that it relies upon their support for the major part of its operations, and will continued to diligently control expenses in an effort to stay within the District's five year financial plan. State law retards the growth of income generated by local levies rendering revenue relatively constant. This lack of revenue growth forces the District to go to the voters periodically to ask for additional financial support.

A challenge facing the District is the future of State funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Subsequent decisions by the Supreme Court have upheld this earlier decision. Since 1997, the State has directed its tax revenue growth toward school districts with little property wealth. Over the past two years State funding has remained at FY 11 levels. The specter of continued reimbursement reductions involving the CAT (Commercial Activity Tax) and unknown state support make financial forecasting a challenging and nearly impossible. Recent activity by the Governor and legislature on a new method of school funding cast a shadow of uncertainty heading into the new biennium.

As a result, all of the District's abilities will be called upon to meet the challenges the future might bring. It is imperative the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the students' needs and the State's requirements over the next several years.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Paul Brotzki, Treasurer, Maumee City School District, 716 Askin Street, Maumee, Ohio 43537.

# BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2012

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 5,073,527
Total assets. . . . .	5,073,527
 <b>Net cash assets:</b>	
Restricted for:	
Capital projects . . . . .	289,417
Debt service. . . . .	1,144,444
Locally funded programs . . . . .	124,061
State funded programs. . . . .	85,875
Federally funded programs . . . . .	330
Student activities . . . . .	161,989
Other purposes . . . . .	231,261
Unrestricted . . . . .	3,036,150
Total net cash assets . . . . .	\$ 5,073,527

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Cash Disbursements	Program Cash Receipts		Net (Cash Disbursements) Cash Receipts and Changes In Net Cash Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 15,506,261	\$ 387,549	\$ 560,974	\$ (14,557,738)
Special . . . . .	2,780,003	103,997	841,208	(1,834,798)
Vocational . . . . .	225,934	-	15,083	(210,851)
Adult/continuing . . . . .	4,337	2,660	-	(1,677)
Other . . . . .	647,189	-	-	(647,189)
Support services:				
Pupil . . . . .	1,217,032	-	14,992	(1,202,040)
Instructional staff . . . . .	985,814	430	232,801	(752,583)
Board of education . . . . .	35,474	-	-	(35,474)
Administration . . . . .	2,451,217	-	3,628	(2,447,589)
Fiscal . . . . .	859,965	-	-	(859,965)
Business . . . . .	203,067	198,397	-	(4,670)
Operations and maintenance . . . . .	3,022,219	85,041	-	(2,937,178)
Pupil transportation . . . . .	1,060,586	-	51,576	(1,009,010)
Central . . . . .	586,153	-	131,696	(454,457)
Operation of non-instructional services:				
Other non-instructional services . . . . .	473,599	49,848	479,520	55,769
Food service operations . . . . .	891,959	457,380	435,586	1,007
Extracurricular activities . . . . .	933,951	297,591	26,026	(610,334)
Facilities acquisition and construction . . . . .	374,567	-	-	(374,567)
Debt service:				
Principal retirement . . . . .	975,000	-	-	(975,000)
Interest and fiscal charges . . . . .	1,337,403	-	-	(1,337,403)
Bond issuance costs . . . . .	280,020	-	-	(280,020)
Payment to refunding bond escrow agent . . . . .	19,714,779	-	-	(19,714,779)
<b>Total governmental activities . . . . .</b>	<b>\$ 54,566,529</b>	<b>\$ 1,582,893</b>	<b>\$ 2,793,090</b>	<b>(50,190,546)</b>

**General cash receipts:**

Property taxes levied for:	
General purposes . . . . .	18,528,345
Debt service . . . . .	2,128,781
Capital outlay . . . . .	308,779
Grants and entitlements not restricted to specific programs . . . . .	
	9,620,264
Sale of refunding bonds . . . . .	17,984,963
Premium on refunding bonds . . . . .	2,009,836
Investment earnings . . . . .	13,304
Miscellaneous . . . . .	43,033
<b>Total general cash receipts . . . . .</b>	<b>50,637,305</b>
Change in net cash assets . . . . .	446,759
<b>Net cash assets at beginning of year (restated) . . . . .</b>	<b>4,626,768</b>
<b>Net cash assets at end of year . . . . .</b>	<b>\$ 5,073,527</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 3,036,150	\$ 1,144,444	\$ 892,933	\$ 5,073,527
Total assets . . . . .	<u>\$ 3,036,150</u>	<u>\$ 1,144,444</u>	<u>\$ 892,933</u>	<u>\$ 5,073,527</u>
<b>Fund cash balances:</b>				
Restricted:				
Debt service . . . . .	-	1,144,444	-	1,144,444
Capital improvements . . . . .	-	-	289,417	289,417
Food service operations . . . . .	-	-	227,618	227,618
Non-public schools . . . . .	-	-	75,002	75,002
Targeted academic assistance . . . . .	-	-	330	330
Extracurricular . . . . .	-	-	161,989	161,989
Other purposes . . . . .	-	-	138,577	138,577
Committed:				
Underground storage tank . . . . .	11,000	-	-	11,000
Assigned:				
Student instruction . . . . .	50,137	-	-	50,137
Student and staff support . . . . .	321,861	-	-	321,861
Performing arts center . . . . .	21,878	-	-	21,878
Adult education . . . . .	30,903	-	-	30,903
Other purposes . . . . .	41,756	-	-	41,756
Unassigned . . . . .	2,558,615	-	-	2,558,615
Total fund cash balances . . . . .	<u>\$ 3,036,150</u>	<u>\$ 1,144,444</u>	<u>\$ 892,933</u>	<u>\$ 5,073,527</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
BASIS FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 18,528,345	\$ 2,128,781	\$ 308,779	\$ 20,965,905
Tuition. . . . .	380,350	-	-	380,350
Earnings on investments . . . . .	10,782	2,522	703	14,007
Charges for services . . . . .	-	-	422,622	422,622
Extracurricular. . . . .	2,823	-	178,263	181,086
Classroom materials and fees . . . . .	190,766	-	-	190,766
Other local revenues . . . . .	386,969	8,928	180,007	575,904
Intergovernmental - state . . . . .	9,589,715	447,560	559,979	10,597,254
Intergovernmental - federal . . . . .	-	-	1,690,595	1,690,595
Total cash receipts. . . . .	<u>29,089,750</u>	<u>2,587,791</u>	<u>3,340,948</u>	<u>35,018,489</u>
<b>Cash disbursements:</b>				
Current:				
Instruction:				
Regular. . . . .	14,977,888	-	528,373	15,506,261
Special . . . . .	2,377,424	-	402,579	2,780,003
Vocational . . . . .	225,934	-	-	225,934
Adult/continuing . . . . .	4,337	-	-	4,337
Other . . . . .	570,050	-	77,139	647,189
Support services:				
Pupil . . . . .	1,200,053	-	16,979	1,217,032
Instructional staff . . . . .	755,834	-	229,980	985,814
Board of education . . . . .	35,474	-	-	35,474
Administration . . . . .	2,446,933	-	4,284	2,451,217
Fiscal . . . . .	812,795	38,197	8,973	859,965
Business. . . . .	203,067	-	-	203,067
Operations and maintenance . . . . .	3,004,958	-	17,261	3,022,219
Pupil transportation . . . . .	1,060,586	-	-	1,060,586
Central . . . . .	523,408	-	62,745	586,153
Operation of non-instructional services:				
Operation of non-instructional . . . . .	50,307	-	423,292	473,599
Food service operations. . . . .	-	-	891,959	891,959
Extracurricular activities . . . . .	694,733	-	239,218	933,951
Facilities acquisition and construction. . . . .	-	-	374,567	374,567
Debt service:				
Principal retirement. . . . .	-	975,000	-	975,000
Interest and fiscal charges . . . . .	-	1,337,403	-	1,337,403
Bond issuance costs . . . . .	-	280,020	-	280,020
Total cash disbursements . . . . .	<u>28,943,781</u>	<u>2,630,620</u>	<u>3,277,349</u>	<u>34,851,750</u>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	<u>\$ 145,969</u>	<u>\$ (42,829)</u>	<u>\$ 63,599</u>	<u>\$ 166,739</u>

- - Continued

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
BASIS FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other financing sources (uses):</b>				
Premium on refunding bonds . . . . .	\$ -	\$ 2,009,836	\$ -	\$ 2,009,836
Sale of refunding bonds . . . . .	-	17,984,963	-	17,984,963
Transfers in . . . . .	-	-	1,300	1,300
Transfers (out) . . . . .	(1,300)	-	-	(1,300)
Advances in . . . . .	84,803	-	35,000	119,803
Advances (out) . . . . .	(35,000)	-	(84,803)	(119,803)
Payment to refunding bond escrow agent . . .	-	(19,714,779)	-	(19,714,779)
Total other financing sources (uses) . . . . .	<u>48,503</u>	<u>280,020</u>	<u>(48,503)</u>	<u>280,020</u>
Net change in fund cash balances . . . . .	194,472	237,191	15,096	446,759
<b>Fund cash balances at</b>				
beginning of year (restated) . . . . .	2,841,678	907,253	877,837	4,626,768
Fund cash balances at end of year. . . . .	<u>\$ 3,036,150</u>	<u>\$ 1,144,444</u>	<u>\$ 892,933</u>	<u>\$ 5,073,527</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary basis receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 18,011,966	\$ 18,527,259	\$ 18,528,345	\$ 1,086
Tuition . . . . .	235,201	241,930	377,690	135,760
Earnings on investments . . . . .	14,583	15,000	10,782	(4,218)
Classroom materials and fees . . . . .	55,998	57,600	60,065	2,465
Other local revenues . . . . .	124,502	128,064	154,386	26,322
Intergovernmental - state . . . . .	9,272,406	9,537,674	9,589,714	52,040
Total budgetary basis receipts . . . . .	<u>27,714,656</u>	<u>28,507,527</u>	<u>28,720,982</u>	<u>213,455</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	14,454,734	14,791,592	14,870,806	(79,214)
Special . . . . .	2,402,004	2,457,981	2,397,723	60,258
Vocational . . . . .	209,317	214,195	225,934	(11,739)
Adult/continuing . . . . .	146	150	150	-
Other . . . . .	557,508	570,500	570,050	450
Support services:				
Pupil . . . . .	1,185,034	1,212,650	1,200,053	12,597
Instructional staff . . . . .	724,825	741,717	744,681	(2,964)
Board of education . . . . .	39,284	40,200	37,967	2,233
Administration . . . . .	2,458,305	2,515,594	2,481,415	34,179
Fiscal . . . . .	805,952	824,734	818,995	5,739
Business . . . . .	38,127	39,016	36,749	2,267
Operations and maintenance . . . . .	3,049,948	3,121,025	3,067,125	53,900
Pupil transportation . . . . .	1,048,721	1,073,161	1,068,050	5,111
Central . . . . .	502,668	514,382	523,210	(8,828)
Operation of non-instructional services . . . . .	1,600	1,637	2,276	(639)
Extracurricular activities . . . . .	665,494	681,003	686,336	(5,333)
Total budgetary basis disbursements . . . . .	<u>28,143,667</u>	<u>28,799,537</u>	<u>28,731,520</u>	<u>68,017</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements . . . . .	<u>(429,011)</u>	<u>(292,010)</u>	<u>(10,538)</u>	<u>281,472</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	3,403	3,500	3,555	55
Transfers (out) . . . . .	(46,907)	(48,000)	(47,800)	200
Advances in . . . . .	82,441	84,800	84,803	3
Advances (out) . . . . .	(34,203)	(35,000)	(35,000)	-
Sale of assets . . . . .	-	-	451	451
Total other financing sources (uses) . . . . .	<u>4,734</u>	<u>5,300</u>	<u>6,009</u>	<u>709</u>
Net change in budgetary fund balance . . . . .	(424,277)	(286,710)	(4,529)	282,181
<b>Fund cash balance at beginning of year . . . . .</b>	<b>2,429,660</b>	<b>2,429,660</b>	<b>2,429,660</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>133,484</b>	<b>133,484</b>	<b>133,484</b>	<b>-</b>
<b>Fund cash balance at end of year . . . . .</b>	<b>\$ 2,138,867</b>	<b>\$ 2,276,434</b>	<b>\$ 2,558,615</b>	<b>\$ 282,181</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET CASH ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 126,762	\$ 40,550
Total assets. . . . .	\$ 126,762	\$ 40,550
<b>Net cash assets:</b>		
Due to students. . . . .	\$ -	\$ 40,550
Held in trust for scholarships . . . . .	126,762	-
Total net cash assets . . . . .	\$ 126,762	\$ 40,550

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET CASH ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 94
Gifts and contributions . . . . .	71,235
Total additions . . . . .	71,329
<b>Deductions:</b>	
Scholarships awarded . . . . .	35,294
Change in net cash assets . . . . .	36,035
<b>Net cash assets at beginning of year (restated) . . .</b>	<b>90,727</b>
<b>Net cash assets at end of year . . . . .</b>	<b>\$ 126,762</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

The Maumee City School District (the "District") is located in central Lucas County in northwest Ohio, encompassing most of the 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 172nd largest by enrollment among the 918 public and community school districts in the State. It currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 17 administrators, 136 non-certified and 186 certified full-time and part-time employees to provide services to approximately 2,771 students in grades K through 12 and various community groups.

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

As discussed in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of education entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$109,752. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

Penta Career Center

The Penta Career Center (the "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 Center 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. The District did not make any payments to the Center during fiscal year 2012. Financial information can be obtained from the Penta County Career Center, Carrie Herringshaw, who serves as Treasurer, at 9301 Buck Road, Perrysburg, Ohio 43551.

Bay Area Council

The Bay Area Council was established in 1986 to carry out a cooperative program for the purchase of natural gas among boards of education located in Erie, Huron, Lucas, Ottawa, Sandusky, Seneca, and Wood Counties. The Bay Area Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member Boards of Education. The Bay Area Council is governed by a Board of Directors. This Board is elected by an assembly consisting of a representative from each participating school district. Financial information can be obtained from the North Point Education Service Center, which serves as fiscal agent, 2902 Columbus Avenue, Sandusky, Ohio 44870.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

*PUBLIC ENTITY RISK POOL*

Northwest Ohio Educational Council Self-Insurance Pool Program (NWOEC Program)

The District participates in the Northwest Ohio Educational Council Self-Insurance Pool Program (NWOEC Program) which is an insurance purchasing pool. The NWOEC Program is created and organized pursuant to and as authorized by 2744.081 of the Ohio Revised Code. The NWOEC Program is a non-profit organization to its members and an instrumentality for each member the purpose of enabling members of the NWOEC to provide for a formalized, joint insurance program to maintain adequate insurance protection, risk management programs, and other administrative services. The NWOEC Program's business and affairs are conducted by a nine member Insurance Committee created by the Governing Board of the NWOEC.

The NWOEC Program has an agreement with Marsh USA for administrative services and Cambridge Integrated Services, Inc. for claims processing. To obtain financial information write to Frank McKain, Marsh USA, One Seagate Center, Suite 1860, Toledo, Ohio 43604.

Maumee City School District acts as the fiscal agent for the NWOEC Program, but the NWOEC Program's financial statements are reported separately from those of Maumee City School District. Separately issued financial statements for the NWOEC Program can be obtained by writing to Paul Brotzki, Treasurer, 716 Askin Street, Maumee, Ohio 43537.

**B. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**C. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. The following are the District's major governmental funds:



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

Debt service fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to disbursements for capital outlays including the acquisition of construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to disbursements for specified purposes other than debt service or capital projects.

*FIDUCIARY FUNDS*

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

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

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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

**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**E. 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 appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Although the legal level of budgetary control was established at the fund level of disbursements, the District has elected to present budgetary statement comparisons at the fund and function level of disbursements. Any budgetary modifications at the legal level may only be made by resolution of the Board of Education.

Tax Budget:

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 disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Lucas County Budget Commission for rate determination. The Lucas County Budget Commission waived the tax budget filing requirement for fiscal year 2012.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated disbursements 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. 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 statements reflect the amounts in the original and final amended certificate of estimated resources issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements may not exceed the appropriation totals at the fund level which is the legal level of control. Any revisions that alter appropriations at the fund level must be approved by the Board of Education.

**MAUMEE CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2012, investments were limited to federal agency securities, a U.S. Government money market fund, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2012. 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 shares price which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$10,782, which includes \$3,320 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**H. Capital Assets**

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

**I. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**J. Long-Term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**K. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**L. Fund Cash Balance**

The District reports classifications of fund balance based on the purpose for which resources were received and the level of constraint placed on the resources. The following categories are used:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when disbursements are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**M. Net Cash Assets**

Net cash assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net cash assets restricted for other purposes consists primarily of funds restricted for food service.

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

**N. Parochial Schools**

Within the District boundaries, St. Joseph's 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 disbursement of these State monies by the District are reflected as special revenue funds for financial reporting purposes.

**O. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds are eliminated on the statement of net assets - cash basis and the statement of activities - cash basis.

**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and GASB Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53”.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**B. Restatement of Governmental Fund Balances**

During fiscal year 2012, the District changed from the modified accrual basis of accounting to the cash basis of accounting (see Note 2.B). The District has also elected to present the cash basis financial statements in a GASB 34-like format. The fund balances for June 30, 2011 have been restated to account for the change in accounting principle, which effectively eliminated balance sheet accruals.

For reporting in accordance with GASB 34-like statements, the District is required to present government-wide financial statements. These statements consolidate all governmental activities in a single column.

The transition from the modified accrual basis of accounting to the cash basis of accounting had the following effect on fund balances at June 30, 2011:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Fund balance (deficit) at June 30, 2011	\$ (402,833)	\$ 1,030,002	\$ 824,271	\$ 1,451,440
Change in reporting basis adjustments	<u>3,244,511</u>	<u>(122,749)</u>	<u>53,566</u>	<u>3,175,328</u>
Restated fund cash balance at June 30, 2011	<u>\$ 2,841,678</u>	<u>\$ 907,253</u>	<u>\$ 877,837</u>	<u>\$ 4,626,768</u>

The governmental activities net cash assets at June 30, 2011 equal the restated fund cash balances at June 30, 2011 since there are no adjustments required to convert the fund financial statements to the government-wide financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**C. Restatement of Private Purpose Trust Net Assets**

During fiscal year 2012, the District changed from the accrual basis of accounting to the cash basis of accounting (see Note 2.B). The private purpose trust fund net assets for June 30, 2011 have been restated to account for the change in accounting principle, which effectively eliminated statement of net assets accruals.

The transition from the accrual basis of accounting to the cash basis of accounting had the following effect on the private purpose trust fund net assets at June 30, 2011:

	Private Purpose Trust
Net assets at June 30, 2011	\$ 84,870
Change in reporting basis adjustments	5,857
Restated fund net assets at June 30, 2011	\$ 90,727

**D. Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim 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 or deposit accounts including passbook accounts.

**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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;
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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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



**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At fiscal year end, the District had \$9,090 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and investments”.

**B. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$1,139,752. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, \$1,024,238 of the District’s bank balance of \$1,274,238 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Carrying value</u>	<u>Investment maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLMC	\$ 1,000,096	\$ -	\$ -	\$ -	\$ -	\$ 1,000,096
FNMA	1,184,964	-	-	-	-	1,184,964
U.S. Government money market fund	524,305	524,305	-	-	-	-
STAR Ohio	1,382,632	1,382,632	-	-	-	-
Total	<u>\$ 4,091,997</u>	<u>\$ 1,906,937</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,185,060</u>

The weighted average maturity of investments is 1.91 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Credit Risk:* STAR Ohio and the U.S. Government money market fund carry a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Carrying value</u>	<u>% of total</u>
FHLMC	\$ 1,000,096	24.44
FNMA	1,184,964	28.96
U.S. Government money market fund	524,305	12.81
STAR Ohio	<u>1,382,632</u>	<u>33.79</u>
Total	<u>\$ 4,091,997</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Assets - Cash Basis**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets - cash basis as of June 30, 2012

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,139,752
Investments	4,091,997
Cash on hand	<u>9,090</u>
Total	<u>\$ 5,240,839</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 5,073,527
Private-purpose trust fund	126,762
Agency fund	<u>40,550</u>
Total	<u>\$ 5,240,839</u>

**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended June 30, 2012 consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 1,300</u>

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

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities - cash basis. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B. During fiscal year 2012, advances consisted of \$35,000 from the general fund to nonmajor governmental funds. During fiscal year 2012, \$84,803 of prior year and current year advances were repaid to the general fund from nonmajor governmental funds.

Interfund advances between governmental funds are eliminated on the government-wide financial statements; therefore no advances are reported in the statement of activities.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax receipts received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax receipts received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Lucas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 456,530,830	98.35	\$ 449,054,490	98.26
Public utility personal	<u>7,694,560</u>	<u>1.65</u>	<u>7,986,040</u>	<u>1.74</u>
Total	<u>\$ 464,225,390</u>	<u>100.00</u>	<u>\$ 457,040,530</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$82.65		\$84.65	

**NOTE 7 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2012, the following activity occurred in governmental activities long-term obligations:

	<u>Balance Outstanding June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding June 30, 2012</u>	<u>Amounts Due in One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
Series 2003 - current interest	\$ 34,205,000	\$ -	\$ (18,965,000)	\$ 15,240,000	\$ 1,015,000
Series 2011 refunding bonds					
Current interest bonds	-	8,645,000	-	8,645,000	180,000
Capital appreciation bonds	-	339,995	-	339,995	-
Accreted interest	-	28,578	-	28,578	-
Series 2012 refunding bonds					
Current interest bonds	-	8,865,000	-	8,865,000	170,000
Capital appreciation bonds	-	134,968	-	134,968	-
Accreted interest	<u>-</u>	<u>7,469</u>	<u>-</u>	<u>7,469</u>	<u>-</u>
Total long-term obligations governmental activities	<u>\$ 34,205,000</u>	<u>\$ 18,021,010</u>	<u>\$ (18,965,000)</u>	<u>\$ 33,261,010</u>	<u>\$ 1,365,000</u>

General obligation bonds - series 2003: On August 1, 2003, the District issued \$42,000,000 in school facilities construction and improvement general obligation bonds to provide funds for various District building projects. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. The bonds have a scheduled maturity date of December 1, 2031. Interest payments on the bonds are due on June 1 and December 1 of each year. Payments of principal and interest relating to the bonds are recorded as disbursements in the debt service fund. On December 28, 2011, the District issued \$8,984,995 (series 2011 advance refunding general obligation bonds) to advance refund the callable portion of the bonds. In addition, on February 23, 2012, the District issued \$8,999,968 (series 2012 advance refunding general obligation bonds) to advance refund the callable portion of the bonds.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)**

The proceeds of the refunding bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. At June 30, 2012, \$33,230,000 of this debt was still outstanding.

Series 2011 advance refunding general obligation bonds: On December 28, 2011, the District issued general obligation bonds to advance refund a portion of the series 2003 general obligation. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the long-term obligations.

At June 30, 2012, the refunding issue is comprised of both current interest bonds, par value \$8,645,000, and capital appreciation bonds, par value \$339,995. The interest rate on the current interest bonds ranges from 2.00-2.50%. The capital appreciation bonds mature on December 1, 2019 (approximate initial offering yield to maturity 2.44%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,505,000. Total accreted interest of \$28,578 has been included in the long-term obligations.

Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2022.

This advance refunding was undertaken to reduce total debt service payments over the next 11 years by \$1,143,818 and resulted in an economic gain of \$1,022,729.

Series 2012 advance refunding general obligation bonds: On February 23, 2012, the District issued general obligation bonds to advance refund a portion of the series 2003 general obligation bonds. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the long-term obligations.

At June 30, 2012, the refunding issue is comprised of both current interest bonds, par value \$8,865,000, and capital appreciation bonds, par value \$134,968. The interest rate on the current interest bonds ranges from 2.00-3.00%. The capital appreciation bonds mature on December 1, 2023 (approximate initial offering yield to maturity 3.40%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,330,000. Total accreted interest of \$7,469 has been included in the long-term obligations.

Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2027.

This advance refunding was undertaken to reduce total debt service payments over the next 16 years by \$1,723,909 and resulted in an economic gain of \$1,407,312.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of future debt service requirements for the general obligation bonds:

Fiscal Year Ending	2003 General Obligation Bonds		
	Principal	Interest	Total
2013	\$ 1,015,000	\$ 698,390	\$ 1,713,390
2014	1,055,000	651,715	1,706,715
2015	1,110,000	597,590	1,707,590
2016	1,165,000	540,715	1,705,715
2017	975,000	487,215	1,462,215
2018 - 2022	-	2,314,200	2,314,200
2023 - 2027	-	2,314,200	2,314,200
2028 - 2032	9,920,000	1,350,138	11,270,138
Total	<u>\$ 15,240,000</u>	<u>\$ 8,954,163</u>	<u>\$ 24,194,163</u>

Fiscal Year Ended	2011 Advance Refunding Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 180,000	\$ 186,612	\$ 366,612	\$ -	\$ -	\$ -
2014	160,000	183,213	343,213	-	-	-
2015	165,000	179,963	344,963	-	-	-
2016	165,000	176,662	341,662	-	-	-
2017	420,000	170,812	590,812	-	-	-
2018 - 2022	5,975,000	530,845	6,505,845	339,995	1,165,005	1,505,000
2023	1,580,000	19,750	1,599,750	-	-	-
Total	<u>\$ 8,645,000</u>	<u>\$ 1,447,857</u>	<u>\$ 10,092,857</u>	<u>\$ 339,995</u>	<u>\$ 1,165,005</u>	<u>\$ 1,505,000</u>

Fiscal Year Ended	2012 Advance Refunding Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 170,000	\$ 253,194	\$ 423,194	\$ -	\$ -	\$ -
2014	90,000	250,594	340,594	-	-	-
2015	90,000	248,794	338,794	-	-	-
2016	95,000	246,944	341,944	-	-	-
2017	95,000	245,044	340,044	-	-	-
2018 - 2022	500,000	1,195,802	1,695,802	-	-	-
2023 - 2027	6,315,000	853,181	7,168,181	134,968	1,195,032	1,330,000
2028	1,510,000	22,650	1,532,650	-	-	-
Total	<u>\$ 8,865,000</u>	<u>\$ 3,316,203</u>	<u>\$ 12,181,203</u>	<u>\$ 134,968</u>	<u>\$ 1,195,032</u>	<u>\$ 1,330,000</u>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)**

**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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$9,053,129 and an unvoted debt margin of \$457,041.

**NOTE 8 - 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 100% coinsured, to a limit of \$116,974,286.

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 \$2,000,000 per claim and \$5,000,000 annual aggregate.

The District offers group medical and dental insurance 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 2011.

Postemployment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 10. As such, no funding provisions are required by the District.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 9 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$490,374, \$436,568 and \$467,619, respectively; 69.81 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "*Publications*".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.



**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 9 - PENSION PLANS - (Continued)**

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$2,020,313, \$1,986,607 and \$2,014,838, respectively; 83.99 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$75,693, \$109,008 and \$87,051, respectively; 69.81 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$28,959, \$28,094 and \$27,808, respectively; 69.81 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$155,409, \$152,816 and \$154,988, respectively; 83.99 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 11 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than an assignment of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

**Net Change in Fund Balance**

	<u>General fund</u>
Cash basis	\$ 194,472
Funds budgeted elsewhere **	(32,040)
Adjustment for encumbrances	(166,961)
Budget basis	\$ (4,529)

\*\* As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, uniform school supplies fund, public school support fund, adult education fund, the safety review fund, the special enterprise fund, the special levy fund and the underground storage tank fund.

**NOTE 12 - CONTINGENCIES**

**A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

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

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 13 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 201,840
Nonmajor governmental	<u>80,065</u>
Total	<u>\$ 281,905</u>

**NOTE 14 - STATUTORY RESERVES**

The District is required by State law to annually set-aside certain general fund receipt amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	462,015
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying disbursements	(626,270)
Excess qualified disbursements from prior years	-
Current year offsets	-
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (164,255)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

## **SUPPLEMENTARY DATA**

**MAUMEE CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<i>Child Nutrition Cluster:</i>				
(C)(D) School Breakfast Program	10.553	2012	\$ 75,857	\$ 75,857
(C)(D) National School Lunch Program	10.555	2012	350,394	350,394
(D)(E) National School Lunch Program - Food Donation	10.555	2012	50,748	50,748
<b>Total National School Lunch Program</b>			<b>401,142</b>	<b>401,142</b>
<b>Total Child Nutrition Cluster and U.S. Department of Agriculture</b>			<b>476,999</b>	<b>476,999</b>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<i>Title I Grant Cluster:</i>				
(F)(H) Title I Grants to Local Educational Agencies	84.010	2011	63,853	27,134
(F)(H) Title I Grants to Local Educational Agencies	84.010	2012	339,248	339,245
<b>Total Title I Grants to Local Educational Agencies</b>			<b>403,101</b>	<b>366,379</b>
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	14,130	14,130
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2012	330	-
<b>Total ARRA Title I Grants to Local Educational Agencies, Recovery Act</b>			<b>14,460</b>	<b>14,130</b>
<i>Total Title I Grant Cluster</i>			<b>417,561</b>	<b>380,509</b>
<i>Special Education Grant Cluster:</i>				
(G) Special Education_Grants to States	84.027	2011	19,246	19,110
(G) Special Education_Grants to States	84.027	2012	612,637	612,637
<b>Total Special Education_Grants to States</b>			<b>631,883</b>	<b>631,747</b>
(G) ARRA - Special Education Grants to States, Recovery Act	84.391	2011	22,369	13,398
<i>Total Special Education Grant Cluster</i>			<b>654,252</b>	<b>645,145</b>
Educational Technology State Grants	84.318	2011	2,641	2,641
Improving Teacher Quality State Grants	84.367	2011	9,979	11,008
Improving Teacher Quality State Grants	84.367	2012	70,878	70,878
<b>Total Improving Teacher Quality State Grants</b>			<b>80,857</b>	<b>81,886</b>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	-	77,139
Education Jobs Fund	84.410	2011	28,340	27,843
Education Jobs Fund	84.410	2012	80,693	80,693
<b>Total Education Jobs Fund</b>			<b>109,033</b>	<b>108,536</b>
<b>Total U.S. Department of Education</b>			<b>1,264,344</b>	<b>1,295,856</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 1,741,343</b>	<b>\$ 1,772,855</b>

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:**

- (A) OAKS did not assign pass-through numbers for fiscal year 2012.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) Included as part of "Special Education Grant Cluster" in determining major programs.
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2012, the ODE authorized the following transfer:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2011	\$ 1,300	
Title I Grants to Local Educational Agencies	84.010	2012		\$ 1,300
<b>Total</b>			<b>\$ 1,300</b>	<b>\$ 1,300</b>



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards***

Maumee City School District  
716 Askin Street  
Maumee, OH 43537

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Maumee City School District, Lucas County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Maumee City School District's cash basis basic financial statements and have issued our report thereon dated September 28, 2012, which emphasized the Maumee City School District changed its reporting format to the cash basis of accounting, which is an other comprehensive basis of accounting not in accordance with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Maumee City School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Maumee City School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Maumee City School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Maumee City School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Board of Education  
Maumee City School District

Compliance and Other Matters

As part of reasonably assuring whether the Maumee City School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2012-MCSD-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Maumee City School District's management in a separate letter dated September 28, 2012.

The Maumee City School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Maumee City School District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the management and Board of Education of the Maumee City School District, federal awarding agencies and pass-through entities, and others within the Maumee City School District. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.  
September 28, 2012





**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable to Each  
Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

Maumee City School District  
716 Askin Street  
Maumee, Ohio 43537

To the Board of Education:

Compliance

We have audited the compliance of the 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 could directly and materially affect each of the Maumee City School District's major federal programs for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Maumee City School District's major federal programs. The Maumee City School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Maumee City School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Maumee City School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Maumee City School District's compliance with these requirements.

In our opinion, the Maumee City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

The Maumee City School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Maumee City School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Maumee City School District's internal control over compliance.

Board of Education  
Maumee City School District

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management and Board of Education of the Maumee City School District, federal awarding agencies and pass-through entities, and others within the Maumee City School District. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.  
September 28, 2012

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grant Cluster: Title I Grants to Local Educational Agencies - CFDA #84.010 and ARRA - Title I Grants to Local Educational Agencies, Recovery Act - CFDA #84.389; Education Jobs Fund - CFDA #84.410
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2012-MCSD-001

**Noncompliance**

Ohio Revised Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38. Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP).

The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from (GAAP).

There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the District being fined or other administrative remedies.

The District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

*Client Response:* The decision to prepare cash basis financial statements is a decision the Board of Education believes to be in the best interests of the District. The Board evaluated the cost-benefit relationship of preparing GAAP statements for the fiscal year ended June 30, 2012 and made the decision that the significant dollars saved, outweighed the benefit received.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None



# Dave Yost • Auditor of State

**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  
DECEMBER 27, 2012**