

MAUMEE CITY SCHOOL DISTRICT



**Basic Financial Statements – Modified Cash Basis
June 30, 2017**

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 Auditor's Report* of the Maumee City School District, Lucas County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. 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

February 21, 2018

This page intentionally left blank.

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Modified Cash Basis	13
Statement of Activities - Modified Cash Basis	14
Fund Financial Statements:	
Statement of Assets and Fund Balances - Modified Cash Basis - Governmental Funds	15
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	16
Statement of Receipts, Disbursements and Change in Fund Balance - Budget and Actual - Budget Basis - General Fund	17
Statement of Fiduciary Net Position - Modified Cash Basis - Fiduciary Funds	18
Statement of Changes in Fiduciary Net Position - Modified Cash Basis - Fiduciary Funds	19
Notes to the Basic Financial Statements.....	21 - 50

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

Board of Education
Maumee City School District

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Maumee City School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure about the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statements amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of significant accounting estimates, as well as our evaluation the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to the Management's Discussion & Analysis. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

December 8, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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, 2017, within the limitations of the District's modified 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 modified 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 2017 are as follows:

- The total net position of the District decreased \$868,302 or 10.36% from fiscal year 2016.
- General cash receipts accounted for \$33,186,955 or 88.04% of total governmental activities cash receipts. Program specific cash receipts accounted for \$4,508,276 or 11.96% of total governmental activities cash receipts.
- The District had \$38,563,533 in cash disbursements related to governmental activities; \$4,508,276, 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 \$33,186,955 were not adequate to provide for these programs.
- The District's major funds are the general fund and debt service fund. The general fund had cash receipts and other financing sources of \$30,257,726 in 2017. The cash disbursements and other financing uses of the general fund, totaled \$31,160,272 in 2017. The general fund's cash balance decreased \$902,546 from 2016 to 2017.
- The debt service fund had cash receipts of \$2,463,089 in 2017. The cash disbursements of the debt service fund, totaled \$2,374,869 in 2017. The debt service fund's cash balance increased \$88,220 from 2016 to 2017.

Using this Modified 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 modified cash basis of accounting.

The statement of net position - modified cash basis and statement of activities - modified cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's modified 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 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 Position and the Statement of Activities

The statement of net position - modified cash basis and the statement of activities - modified cash basis answer the question, "How did we do financially during 2017?" These statements include *only net position* using the *modified 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, 2017
(UNAUDITED)

These two statements report the District's net position and changes in that position on a modified cash basis. This change in net position is important because it tells the reader that, for the District as a whole, the modified 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 modified 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 modified cash basis of accounting.

In the statement of net position - modified cash basis and the statement of activities - modified 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 position - modified cash basis and the statement of activities - modified cash basis can be found on pages 13-14 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 modified 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 modified cash basis financial resources that can be readily spent to finance various District programs. The governmental fund statements can be found on pages 15-17 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 18 and 19 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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 21-50 of this report.

Government-Wide Financial Analysis

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

The table below provides a summary of the District's net position for at June 30, 2017 and June 30, 2016.

	Change in Net Position	
	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<u>Assets</u>		
Equity in pooled cash and investments	\$ 7,509,928	\$ 8,378,230
Total assets	<u>7,509,928</u>	<u>8,378,230</u>
<u>Net Position</u>		
Restricted	2,832,093	2,705,862
Unrestricted	<u>4,677,835</u>	<u>5,672,368</u>
Total net position	<u>\$ 7,509,928</u>	<u>\$ 8,378,230</u>

The total net position of the District decreased \$868,302, which represents a 10.36% decrease from fiscal year 2016. The decrease is due primarily to the increase in spending for capital items in fiscal year 2017.

The balance of government-wide unrestricted net position of \$4,677,835 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, 2017
(UNAUDITED)

The table below shows the changes in net position for fiscal year 2017 and 2016.

	Change in Net Position	
	Governmental	Governmental
	Activities	Activities
	<u>2017</u>	<u>2016</u>
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 1,525,093	\$ 1,727,971
Operating grants and contributions	<u>2,983,183</u>	<u>2,981,434</u>
Total program cash receipts	<u>4,508,276</u>	<u>4,709,405</u>
General cash receipts:		
Property and other taxes	22,597,009	22,935,213
Unrestricted grants	9,425,429	9,646,870
Sale of notes	1,000,000	-
Investment earnings	45,208	32,157
Other	<u>119,309</u>	<u>108,810</u>
Total general cash receipts	<u>33,186,955</u>	<u>32,723,050</u>
Total cash receipts	<u>37,695,231</u>	<u>37,432,455</u>

- Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Change in Net Position (Continued)

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
Cash Disbursements:		
Instruction:		
Regular	\$ 15,271,403	\$ 14,542,478
Special	3,623,087	3,169,293
Vocational	195,175	172,233
Adult/continuing	30,794	13,251
Other	842,128	945,161
Support services:		
Pupil	1,758,668	1,650,680
Instructional staff	672,520	655,856
Board of education	36,218	31,357
Administration	3,150,614	2,938,981
Fiscal	810,478	808,396
Business	182,383	237,223
Operations and maintenance	3,233,607	3,266,326
Pupil transportation	1,057,864	983,764
Central	852,715	866,842
Operation of non instructional services:		
Other non-instructional services	753,364	473,681
Food service operations	815,336	853,594
Extracurricular	1,132,802	1,030,403
Facilities acquisition and construction	1,775,247	741,261
Debt service:		
Principal retirement	1,590,000	1,525,000
Interest and fiscal charges	<u>779,130</u>	<u>817,931</u>
Total cash disbursements	<u>38,563,533</u>	<u>35,723,711</u>
Change in net position	(868,302)	1,708,744
Net position at beginning of year	<u>8,378,230</u>	<u>6,669,486</u>
Net position at end of year	<u>\$ 7,509,928</u>	<u>\$ 8,378,230</u>

Governmental Activities

Governmental net position decreased by \$868,302 in fiscal year 2017 from fiscal year 2016. The decrease is mainly due to the increase in spending for capital items. Total governmental cash disbursements of \$38,563,533 were offset by program cash receipts of \$4,508,276 and general cash receipts of \$33,186,955. Program receipts supported 11.69% 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 84.95% 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, 2017
(UNAUDITED)

The statement of activities - modified 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.

	Governmental Activities			
	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Cash disbursements:				
Instruction:				
Regular	\$ 15,271,403	\$ 14,576,241	\$ 14,542,478	\$ 13,697,988
Special	3,623,087	2,216,657	3,169,293	1,826,840
Vocational	195,175	161,438	172,233	152,930
Adult/continuing	30,794	30,794	13,251	12,051
Other	842,128	842,128	945,161	945,161
Support services:				
Pupil	1,758,668	1,743,263	1,650,680	1,646,595
Instructional staff	672,520	568,630	655,856	560,917
Board of education	36,218	36,218	31,357	31,357
Administration	3,150,614	3,139,488	2,938,981	2,921,671
Fiscal	810,478	810,478	808,396	808,396
Business	182,383	46,136	237,223	34,102
Operations and maintenance	3,233,607	3,144,049	3,266,326	3,103,346
Pupil transportation	1,057,864	995,014	983,764	922,655
Central	852,715	785,570	866,842	782,919
Operation of non instructional services:				
Other non-instructional services	753,364	107,107	473,681	(149,758)
Food service operations	815,336	(15,109)	853,594	8,887
Extracurricular	1,132,802	722,778	1,030,403	624,057
Facilities acquisition and construction	1,775,247	1,775,247	741,261	741,261
Debt service:				
Principal retirement	1,590,000	1,590,000	1,525,000	1,525,000
Interest and fiscal charges	779,130	779,130	817,931	817,931
Total	<u>\$ 38,563,533</u>	<u>\$ 34,055,257</u>	<u>\$ 35,723,711</u>	<u>\$ 31,014,306</u>

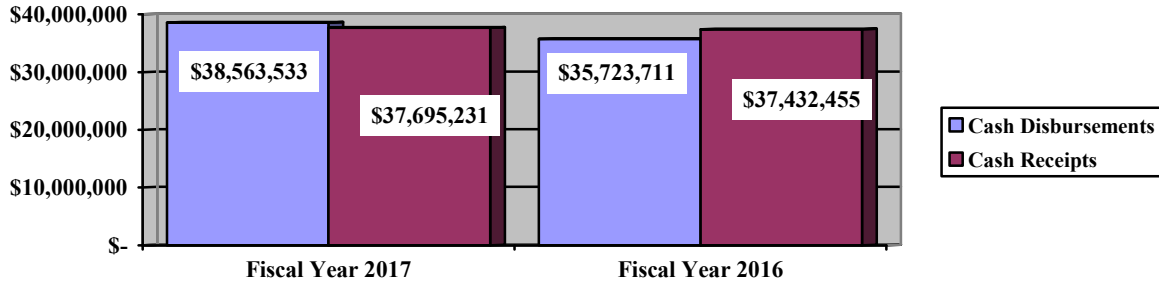
The dependence upon general cash receipts for governmental activities is apparent; with 88.31% of cash disbursements supported through taxes and other general cash receipts during 2017.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

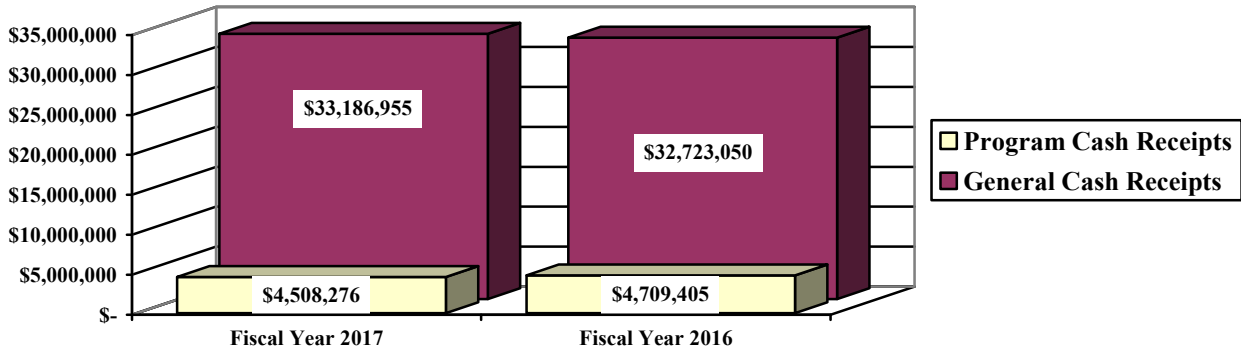
The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2017 and 2016.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



The graph below presents the District's governmental activities cash receipts for fiscal years 2017 and 2016.

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 modified cash basis of accounting.

The District's governmental funds reported a combined fund balance of \$7,509,928, which is \$868,302 less than last year's total of \$8,378,230. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and June 30, 2016, for all major and nonmajor governmental funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	<u>Fund Balance</u> <u>June 30, 2017</u>	<u>Fund Balance</u> <u>June 30, 2016</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 4,569,822	\$ 5,472,368	\$ (902,546)
Debt service	1,514,969	1,426,749	88,220
Other nonmajor governmental funds	<u>1,425,137</u>	<u>1,479,113</u>	<u>(53,976)</u>
Total	<u>\$ 7,509,928</u>	<u>\$ 8,378,230</u>	<u>\$ (868,302)</u>

General Fund

The general fund, the District's largest major fund, had cash receipts and other financing sources of \$30,257,726 in 2017. The cash disbursements and other financing uses of the general fund, totaled \$31,160,272 in 2017. The general fund's fund balance decreased \$902,546 from 2016 to 2017. Total general fund receipts decreased 2.07% primarily due to a decrease in state foundation funding. Total general fund disbursements increased 5.24%

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

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 19,555,390	\$ 19,855,288	(1.51) %
Tuition	321,383	401,499	(19.95) %
Earnings on investments	27,459	32,157	(14.61) %
Classroom materials and fees	132,965	153,384	(13.31) %
Intergovernmental	9,857,907	10,049,347	(1.90) %
Other revenues	<u>349,622</u>	<u>392,553</u>	(10.94) %
Total	<u>\$ 30,244,726</u>	<u>\$ 30,884,228</u>	(2.07) %

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

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
Instruction	\$ 19,038,457	\$ 17,714,193	7.48 %
Support services	11,265,663	11,123,940	1.27 %
Operation of non instruction	42,847	27,941	53.35 %
Extracurricular	<u>800,305</u>	<u>731,386</u>	9.42 %
Total	<u>\$ 31,147,272</u>	<u>\$ 29,597,460</u>	5.24 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Debt Service Fund

The debt service fund had cash receipts of \$2,463,089 in 2017. The cash disbursements of the debt service fund, totaled \$2,374,869 in 2017. The fund balance of the debt service fund increased \$88,220 from fiscal year 2016.

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 2017, the District amended its general fund budget numerous times. For the general fund, original budgeted receipts and other financing sources were \$28,600,000, which were increased to \$29,472,600 in the final budgeted receipts. Actual receipts and other financing sources for fiscal year 2017 were \$29,943,726. This represents a \$471,126 increase from final budgeted receipts.

General fund original appropriations (appropriated cash disbursements including other financing uses) of \$30,607,104 were increased to \$30,847,646 in the final appropriations. The actual budget basis disbursements for fiscal year 2017 totaled \$30,992,908, which was \$145,262 greater than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying modified 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, 2017 and 2016.

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
General obligation bonds	\$ 27,735,988	\$ 29,093,502
Tax anticipation note	<u>1,000,000</u>	<u>-</u>
Total long-term obligations	<u>\$ 28,735,988</u>	<u>\$ 29,093,502</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 last levy passed by the District was in 2014 but that still does not shroud it from the slow economic recovery on both the national and State level. Other factors affecting the District are the requirements of Federal and State regulations, including but not limited to the No Child Left Behind Act, 3rd 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, 2017
(UNAUDITED)

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. Despite the economic challenges, the District continues to perform at one of the highest levels determined by the State of Ohio.

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. While State Foundation revenue is increasing per the newly enacted State biennium budget, the District will actually lose revenue of more than \$247,000 over the same time period due to the continuing reductions of the Commercial Activity Tax (CAT) payment/reimbursements.

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.

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

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 7,509,928
Total assets.	7,509,928
 Net position:	
Restricted for:	
Capital projects	833,131
Debt service.	1,514,969
Locally funded programs	118,484
State funded programs.	13,608
Student activities	268,745
Other purposes	83,156
Unrestricted	4,677,835
Total net position.	\$ 7,509,928

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

		Program Cash Receipts		Net (Cash Disbursements) Cash Receipts and Changes In Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 15,271,403	\$ 328,223	\$ 366,939	\$ (14,576,241)
Special	3,623,087	85,297	1,321,133	(2,216,657)
Vocational	195,175	-	33,737	(161,438)
Adult/continuing.	30,794	-	-	(30,794)
Other	842,128	-	-	(842,128)
Support services:				
Pupil.	1,758,668	-	15,405	(1,743,263)
Instructional staff	672,520	152	103,738	(568,630)
Board of education	36,218	-	-	(36,218)
Administration.	3,150,614	11,126	-	(3,139,488)
Fiscal.	810,478	-	-	(810,478)
Business.	182,383	136,247	-	(46,136)
Operations and maintenance	3,233,607	89,558	-	(3,144,049)
Pupil transportation.	1,057,864	-	62,850	(995,014)
Central	852,715	-	67,145	(785,570)
Operation of non-instructional services:				
Food service operations	815,336	401,363	429,082	15,109
Other non-instructional services	753,364	72,826	573,431	(107,107)
Extracurricular activities.	1,132,802	400,301	9,723	(722,778)
Facilities acquisition and construction.	1,775,247	-	-	(1,775,247)
Debt service:				
Principal retirement.	1,590,000	-	-	(1,590,000)
Interest and fiscal charges	779,130	-	-	(779,130)
Total governmental activities	\$ 38,563,533	\$ 1,525,093	\$ 2,983,183	(34,055,257)
 General cash receipts:				
Property taxes levied for:				
General purposes				19,555,390
Debt service.				2,011,163
Capital outlay.				1,030,456
Grants and entitlements not restricted				
to specific programs				9,425,429
Sale of notes				1,000,000
Investment earnings				45,208
Miscellaneous.				119,309
Total general cash receipts.				33,186,955
 Change in net position				 (868,302)
 Net position at beginning of year				 8,378,230
 Net position at end of year				 \$ 7,509,928

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 4,569,822	\$ 1,514,969	\$ 1,425,137	\$ 7,509,928
Total assets	<u>\$ 4,569,822</u>	<u>\$ 1,514,969</u>	<u>\$ 1,425,137</u>	<u>\$ 7,509,928</u>
Fund balances:				
Restricted:				
Debt service	-	1,514,969	-	1,514,969
Capital improvements	-	-	833,131	833,131
Food service operations	-	-	83,156	83,156
Non-public schools	-	-	4,522	4,522
Extracurricular	-	-	268,745	268,745
Other purposes	-	-	127,570	127,570
Committed:				
Capital improvements	-	-	124,880	124,880
Other purposes	11,000	-	-	11,000
Assigned:				
Student instruction	23,277	-	-	23,277
Student and staff support	390,580	-	-	390,580
Subsequent year's appropriations	775,000	-	-	775,000
Other purposes	196,929	-	-	196,929
Unassigned (deficit)	<u>3,173,036</u>	<u>-</u>	<u>(16,867)</u>	<u>3,156,169</u>
Total fund balances	<u>\$ 4,569,822</u>	<u>\$ 1,514,969</u>	<u>\$ 1,425,137</u>	<u>\$ 7,509,928</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:				
From local sources:				
Property taxes	\$ 19,555,390	\$ 2,011,163	\$ 1,030,456	\$ 22,597,009
Tuition	321,383	-	-	321,383
Earnings on investments	27,459	15,380	4,004	46,843
Charges for services	-	-	366,327	366,327
Extracurricular	1,665	-	194,719	196,384
Classroom materials and fees	132,965	-	-	132,965
Other local revenues	347,957	-	311,851	659,808
Intergovernmental - state	9,857,907	436,546	613,896	10,908,349
Intergovernmental - federal	-	-	1,466,163	1,466,163
Total cash receipts	<u>30,244,726</u>	<u>2,463,089</u>	<u>3,987,416</u>	<u>36,695,231</u>
Cash disbursements:				
Current:				
Instruction:				
Regular	14,855,272	-	416,131	15,271,403
Special	3,115,088	-	507,999	3,623,087
Vocational	195,175	-	-	195,175
Adult/continuing	30,794	-	-	30,794
Other	842,128	-	-	842,128
Support services:				
Pupil	1,743,063	-	15,605	1,758,668
Instructional staff	564,918	-	107,602	672,520
Board of education	36,218	-	-	36,218
Administration	3,141,942	-	8,672	3,150,614
Fiscal	766,310	29,739	14,429	810,478
Business	182,383	-	-	182,383
Operations and maintenance	3,112,672	-	120,935	3,233,607
Pupil transportation	935,724	-	122,140	1,057,864
Central	782,433	-	70,282	852,715
Operation of non-instructional services:				
Food service operations	-	-	815,336	815,336
Other non-instructional services	42,847	-	710,517	753,364
Extracurricular activities	800,305	-	332,497	1,132,802
Facilities acquisition and construction	-	-	1,775,247	1,775,247
Debt service:				
Principal retirement	-	1,590,000	-	1,590,000
Interest and fiscal charges	-	755,130	-	755,130
Note issuance costs	-	-	24,000	24,000
Total cash disbursements	<u>31,147,272</u>	<u>2,374,869</u>	<u>5,041,392</u>	<u>38,563,533</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>(902,546)</u>	<u>88,220</u>	<u>(1,053,976)</u>	<u>(1,868,302)</u>
Other financing sources (uses):				
Sale of notes	-	-	1,000,000	1,000,000
Advances in	13,000	-	13,000	26,000
Advances (out)	<u>(13,000)</u>	<u>-</u>	<u>(13,000)</u>	<u>(26,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Net change in fund balances	(902,546)	88,220	(53,976)	(868,302)
Fund balances at beginning of year	<u>5,472,368</u>	<u>1,426,749</u>	<u>1,479,113</u>	<u>8,378,230</u>
Fund balances at end of year	<u>\$ 4,569,822</u>	<u>\$ 1,514,969</u>	<u>\$ 1,425,137</u>	<u>\$ 7,509,928</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 (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 19,005,144	\$ 19,585,000	\$ 19,555,390	\$ (29,610)
Tuition.	304,315	313,600	321,383	7,783
Earnings on investments	36,875	38,000	27,459	(10,541)
Classroom materials and fees	46,579	48,000	48,297	297
Other local revenues	88,306	91,000	119,943	28,943
Intergovernmental - state	9,118,296	9,396,500	9,857,908	461,408
Total budgetary basis receipts	<u>28,599,515</u>	<u>29,472,100</u>	<u>29,930,380</u>	<u>458,280</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	14,377,827	14,490,824	14,527,420	(36,596)
Special.	2,995,308	3,018,848	3,118,350	(99,502)
Vocational.	197,922	199,477	197,940	1,537
Adult/continuing	13,912	14,021	12,766	1,255
Other.	843,372	850,000	842,128	7,872
Support services:				
Pupil.	1,741,937	1,755,627	1,743,663	11,964
Instructional staff	548,300	552,609	537,822	14,787
Board of education	41,364	41,689	36,218	5,471
Administration.	3,246,295	3,271,808	3,219,149	52,659
Fiscal	780,537	786,671	772,880	13,791
Business	41,672	42,000	34,933	7,067
Operations and maintenance.	3,114,379	3,138,855	3,190,486	(51,631)
Pupil transportation	971,654	979,290	952,455	26,835
Central.	827,702	834,207	780,726	53,481
Other non-instructional services	2,021	2,037	1,568	469
Extracurricular activities.	750,882	756,783	790,404	(33,621)
Total budgetary basis disbursements	<u>30,495,084</u>	<u>30,734,746</u>	<u>30,758,908</u>	<u>(24,162)</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements.	<u>(1,895,569)</u>	<u>(1,262,646)</u>	<u>(828,528)</u>	<u>434,118</u>
Other financing sources (uses):				
Refund of prior year's expenditures	485	500	346	(154)
Transfers (out).	(112,020)	(112,900)	(221,000)	(108,100)
Advances in.	-	-	13,000	13,000
Advances (out)	-	-	(13,000)	(13,000)
Total other financing sources (uses)	<u>(111,535)</u>	<u>(112,400)</u>	<u>(220,654)</u>	<u>(108,254)</u>
Net change in fund balance	(2,007,104)	(1,375,046)	(1,049,182)	325,864
Fund balance at beginning of year	4,736,049	4,736,049	4,736,049	-
Prior year encumbrances appropriated	261,169	261,169	261,169	-
Fund balance at end of year	<u>\$ 2,990,114</u>	<u>\$ 3,622,172</u>	<u>\$ 3,948,036</u>	<u>\$ 325,864</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2017

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments.	\$ 158,183	\$ 35,170
Total assets.	\$ 158,183	\$ 35,170
Net position:		
Due to students.	\$ -	\$ 35,170
Held in trust for scholarships	158,183	-
Total net position.	\$ 158,183	\$ 35,170

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 1,252
Gifts and contributions	94,165
Total additions	95,417
Deductions:	
Scholarships awarded	92,471
Change in net position	2,946
Net position at beginning of year	155,237
Net position at end of year	\$ 158,183

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school.

The District employs 20 administrators, 128 non-certified and 180 certified full-time and part-time employees to provide services to approximately 2,500 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 modified cash basis of accounting. The modified 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 modified 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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". 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, 2017

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 \$108,480. 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 2017. 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, 2017

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

PUBLIC ENTITY RISK POOL

Southwestern Ohio Educational Purchasing Council Liability, Fleet, and Property Program

The District participates in the Southwestern Ohio Educational Purchasing Council Liability, Fleet and Property Program (LFP). The LFP's business and affairs are conducted by a six member committee consisting of various LFP representatives that are elected by the general assembly. The purpose of the LFP is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participants.

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 modified cash basis of accounting. The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP. With the exception of investments, receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

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:

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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 or 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 position and changes in net position. 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 position - modified cash basis and the statement of activities - modified 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 modified 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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 2017.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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 2017, investments were limited to negotiable certificates of deposit, a U.S. Government money market fund, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at cost.

During fiscal year 2017, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to \$27,459, which includes \$331 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.

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 modified cash basis of accounting. Depreciation has not been reported for any capital assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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 modified 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 modified 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 2017.

L. Fund 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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 Position

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net position restricted for other purposes consists 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 position is 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 position - modified cash basis and the statement of activities - modified cash basis.

P. Stabilization Arrangement

The Board of Education has \$315,183 of unassigned fund balance in the general fund set aside to be used for budget stabilization. The Board has set aside these funds to cover emergency situations or when revenue shortages or budgetary imbalances arise. The budget stabilization arrangement may be removed by action of the Board of Education at any time.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Q. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, “*Tax Abatement Disclosures*”, GASB Statement No. 78, “*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*”, GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*” and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*”.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. These disclosures were incorporated in the District’s fiscal year 2017 financial statements (see Note 15); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balance

Fund balances at June 30, 2017 included the following individual fund deficit:

<u>Nonmajor fund</u>	<u>Deficit</u>
Title VI-B	\$ 16,867

The general fund is liable for any deficit in this fund and provides transfers when cash is required.

C. 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 modified 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, deferred outflows, liabilities, deferred inflows, net position/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.

Contrary to Ohio Revised Code Section 5705.41(B), the general fund had expenditures exceeding appropriations.

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.

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;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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.

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".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$3,966,538. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2017, \$4,005,218 of the District’s bank balance of \$4,505,218 was exposed to custodial risk as discussed below, while \$500,000 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, 2017, 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>
Negotiable CDs	\$ 2,820,275	\$ 565,000	\$ 255,537	\$ 583,655	\$ 102,757	\$ 1,313,326
U.S. Government money market fund	8,594	8,594	-	-	-	-
STAR Ohio	<u>898,784</u>	<u>898,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,727,653</u>	<u>\$ 1,472,378</u>	<u>\$ 255,537</u>	<u>\$ 583,655</u>	<u>\$ 102,757</u>	<u>\$ 1,313,326</u>

The weighted average maturity of investments is 1.45 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.

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 negotiable CDs were not rated. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 District's investments in negotiable CDs are insured by the FDIC. 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, 2017:

<u>Investment type</u>	<u>Carrying value</u>	<u>% of total</u>
Negotiable CDs	\$ 2,820,275	75.66
U.S. Government money market fund	8,594	0.23
STAR Ohio	<u>898,784</u>	<u>24.11</u>
Total	<u>\$ 3,727,653</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position - Modified 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 position - modified cash basis as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,966,538
Investments	3,727,653
Cash on hand	9,090
Total	<u>\$ 7,703,281</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 7,509,928
Private-purpose trust fund	158,183
Agency fund	35,170
Total	<u>\$ 7,703,281</u>

NOTE 5 - INTERFUND TRANSACTIONS

During fiscal year 2017, advances consisted of \$13,000 from the general fund to nonmajor governmental funds. During fiscal year 2017, \$13,000 of 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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, 2017, are available to finance fiscal year 2017 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.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 404,036,840	97.44	\$ 403,384,660	97.27
Public utility personal	<u>10,606,990</u>	<u>2.56</u>	<u>11,306,830</u>	<u>2.73</u>
Total	<u>\$ 414,643,830</u>	<u>100.00</u>	<u>\$ 414,691,490</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 88.65		\$ 88.65	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2017, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2017</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
Series 2011 refunding bonds					
Current interest bonds	\$ 7,975,000	\$ -	\$ (420,000)	\$ 7,555,000	\$ 1,450,000
Capital appreciation bonds	339,995	-	-	339,995	-
Accreted interest	440,548	161,055	-	601,603	-
Series 2012 refunding bonds					
Current interest bonds	8,420,000	-	(95,000)	8,325,000	95,000
Capital appreciation bonds	134,968	-	-	134,968	-
Accreted interest	174,841	66,428	-	241,269	-
Series 2013A - current interest	1,010,000	-	(75,000)	935,000	75,000
Series 2013B refunding bonds					
Current interest bonds	8,030,000	-	(40,000)	7,990,000	40,000
Capital appreciation bonds	4,766	-	-	4,766	-
Accreted interest	8,384	5,003	-	13,387	-
Series 2013C refunding bonds					
Current interest bonds	<u>2,555,000</u>	<u>-</u>	<u>(960,000)</u>	<u>1,595,000</u>	<u>-</u>
Total general obligation bonds payable	<u>29,093,502</u>	<u>232,486</u>	<u>(1,590,000)</u>	<u>27,735,988</u>	<u>1,660,000</u>
<u>Other long-term obligations:</u>					
Tax anticipation note - 2017	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>195,000</u>
Total long-term obligations governmental activities	<u>\$ 29,093,502</u>	<u>\$ 1,232,486</u>	<u>\$ (1,590,000)</u>	<u>\$ 28,735,988</u>	<u>\$ 1,855,000</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. 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. On April 11, 2013, the District issued \$8,274,766 (series 2013B advance refunding general obligation bonds) and \$4,895,000 (series 2013C advance refunding general obligation bonds), respectively, to advance refund the callable portion of the series 2003 bonds.

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, 2017, \$27,660,000 of this debt was still outstanding.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

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, 2017, 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 \$601,603 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. Payments of principal and interest relating to the bonds are recorded as disbursements in the debt service fund.

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, 2017, 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 \$241,269 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. Payments of principal and interest relating to the bonds are recorded as disbursements in the debt service fund.

General obligation bonds - series 2013A: On April 11, 2013, the District issued \$1,200,000 in various purpose general obligation bonds to provide funds for renovating and improving existing District facilities; and acquiring fixed and movable equipment for school purposes, including buses and other vehicles. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. The interest rate on the bonds ranges from 2.00%-2.625%. The bonds have a scheduled maturity date of December 1, 2027. 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.

Series 2013B advance refunding general obligation bonds: On April 11, 2013, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

At June 30, 2017, the refunding issue is comprised of both current interest bonds, par value \$8,270,000, and capital appreciation bonds, par value \$4,766. The interest rate on the current interest bonds ranges from 2.00-3.00%. The capital appreciation bonds mature on December 1, 2028 (approximate initial offering yield to maturity 3.35%) 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 \$740,000. Total accreted interest of \$13,387 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, 2031. Payments of principal and interest relating to the bonds are recorded as disbursements in the debt service fund.

Series 2013C advance refunding general obligation bonds: On April 11, 2013, 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, 2017, the refunding issue is comprised of current interest bonds, par value \$4,895,000. The interest rate on the current interest bonds ranges from 0.50-5.00%.

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, 2029. Payments of principal and interest relating to the bonds are recorded as disbursements in the debt service fund.

Series 2017 permanent improvement levy tax anticipation notes: On February 1, 2017, the District issued \$1,000,000 in notes in anticipation of the collection of the proceeds of the 1.9 mill continuing permanent improvement levy approved by electors of the District on November 4, 2014. The notes bear an interest rate of 2.14% and mature on December 1, 2021. Payments of principal and interest relating to the notes are recorded as disbursements in the permanent improvement fund, a nonmajor governmental fund.

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

Fiscal Year Ended	2011 Advance Refunding Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 1,450,000	\$ 152,112	\$ 1,602,112	\$ -	\$ -	\$ -
2019	1,480,000	122,813	1,602,813	-	-	-
2020	-	108,013	108,013	339,995	1,165,005	1,505,000
2021	1,505,000	91,082	1,596,082	-	-	-
2022	1,540,000	56,825	1,596,825	-	-	-
2023	1,580,000	19,750	1,599,750	-	-	-
Total	<u>\$ 7,555,000</u>	<u>\$ 550,595</u>	<u>\$ 8,105,595</u>	<u>\$ 339,995</u>	<u>\$ 1,165,005</u>	<u>\$ 1,505,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

2012 Advance Refunding Bonds						
Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 95,000	\$ 243,144	\$ 338,144	\$ -	\$ -	\$ -
2019	100,000	241,193	341,193	-	-	-
2020	100,000	239,194	339,194	-	-	-
2021	100,000	237,193	337,193	-	-	-
2022	105,000	235,078	340,078	-	-	-
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>\$ 8,325,000</u>	<u>\$ 2,071,633</u>	<u>\$ 10,396,633</u>	<u>\$ 134,968</u>	<u>\$ 1,195,032</u>	<u>\$ 1,330,000</u>

2013A General Obligation Bonds						
Fiscal Year Ended	2013A General Obligation Bonds			2013C Advance Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 75,000	\$ 21,000	\$ 96,000	\$ -	\$ 55,950	\$ 55,950
2019	80,000	19,450	99,450	-	55,950	55,950
2020	80,000	17,850	97,850	-	55,950	55,950
2021	80,000	16,250	96,250	-	55,950	55,950
2022	80,000	14,650	94,650	-	55,950	55,950
2023 - 2027	445,000	41,834	486,834	-	279,750	279,750
2028 - 2030	95,000	3,740	98,740	1,595,000	88,425	1,683,425
Total	<u>\$ 935,000</u>	<u>\$ 134,774</u>	<u>\$ 1,069,774</u>	<u>\$ 1,595,000</u>	<u>\$ 647,925</u>	<u>\$ 2,242,925</u>

2013B Advance Refunding Bonds						
Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 40,000	\$ 236,025	\$ 276,025	\$ -	\$ -	\$ -
2019	40,000	235,225	275,225	-	-	-
2020	40,000	234,425	274,425	-	-	-
2021	45,000	233,575	278,575	-	-	-
2022	45,000	232,675	277,675	-	-	-
2023 - 2027	235,000	1,146,813	1,381,813	-	-	-
2028 - 2032	7,545,000	750,975	8,295,975	4,766	735,234	740,000
Total	<u>\$ 7,990,000</u>	<u>\$ 3,069,713</u>	<u>\$ 11,059,713</u>	<u>\$ 4,766</u>	<u>\$ 735,234</u>	<u>\$ 740,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ended	2017 Tax Anticipation Notes		
	Principal	Interest	Total
2018	\$ 195,000	\$ 26,446	\$ 221,446
2019	195,000	15,141	210,141
2020	200,000	10,914	210,914
2021	205,000	6,580	211,580
2022	<u>205,000</u>	<u>2,194</u>	<u>207,194</u>
Total	<u>\$ 1,000,000</u>	<u>\$ 61,275</u>	<u>\$ 1,061,275</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The 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, 2017, are a voted debt margin of \$11,957,474 and an unvoted debt margin of \$414,691.

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 \$130,355,178.

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 2016.

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, 2017

NOTE 9 - PENSION PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS - (Continued)

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$579,086 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - District licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS - (Continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.5% of the 13% member rate goes to the DC Plan and the remaining 1.5% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$2,239,516 for fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.13105560%	0.14023680%	
Proportion of the net pension liability current measurement date	<u>0.13064480%</u>	<u>0.13833683%</u>	
Change in proportionate share	<u>-0.00041080%</u>	<u>-0.00189997%</u>	
Proportionate share of the net pension liability	\$ 9,561,994	\$ 46,305,507	\$ 55,867,501

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS - (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
 Total	 <u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 12,659,484	\$ 9,561,994	\$ 6,969,266

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS - (Continued)

Actuarial Assumptions - STRS Ohio

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 61,536,256	\$ 46,305,507	\$ 33,457,472

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at 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, 2017

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$66,470, \$68,473, and \$98,206, respectively. 100 percent has been contributed for fiscal years 2017, 2016 and 2015.

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, 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 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the modified 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 modified cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than an assignment of fund balance (modified cash basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Modified cash basis	\$ (902,546)
Funds budgeted elsewhere **	86,119
Adjustment for encumbrances	<u>(232,755)</u>
Budget basis	<u>\$ (1,049,182)</u>

** 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. 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, the underground storage tank fund and the EMIS fund.

NOTE 12 - CONTINGENCIES

A. Grants

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 – CONTINGENCIES - (Continued)

B. Litigation

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

C. Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

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	\$ 317,281
Nonmajor governmental	<u>738,601</u>
Total	<u>\$ 1,055,882</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 modified 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - STATUTORY RESERVES - (Continued)

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	435,390
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying disbursements	(319,522)
Excess qualified disbursements from prior years	-
Current year offsets	(1,120,788)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (1,004,920)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

NOTE 15 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, the City of Maumee has entered into such an agreement. Under this agreement, the District’s property taxes were reduced by approximately \$76,000. The District is not receiving any amounts from this other government in association with the forgone property tax revenue.

Maumee City School District



**Single Audit Reports
June 30, 2017**

**MAUMEE CITY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	3L70	10.553	\$89,992	\$0
National School Lunch Program	3L60	10.555	331,707	61,911
Total Child Nutrition Cluster			421,699	61,911
Total U.S. Department of Agriculture			421,699	61,911
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education-Grants to States	3M20	84.027	644,369	0
Total Special Education Cluster			644,369	0
Title I Grants to Local Educational Agencies	3M00	84.010	391,072	0
Improving Teacher Quality State Grants	3Y60	84.367	58,533	0
Total Department of Education			1,093,974	0
Total Federal Assistance			\$1,515,673	\$61,911

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared using the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Maumee City School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Maumee City School District (the District), as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2017, wherein we noted the District presented financial statements on the modified cash basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America, as disclosed in Note 2.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002 and 2017-003.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 8, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

Board of Education
Maumee City School District

Report on Compliance for Each Major Federal Program

We have audited the Maumee City School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 8, 2017, which contained unmodified opinions on those financial statements, wherein we noted the District presented financial statements on the modified cash basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America, as disclosed in Note 2. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 8, 2017

**MAUMEE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on the financial statements: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Special Education Cluster:
Grants to States 84.027

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? No

Section II – Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

Finding 2017–001 – Noncompliance – GAAP Reporting

Ohio Revised Code Section 117.38 provides that 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 generally accepted accounting principles (GAAP). For fiscal year 2017, the District prepared financial statements using the modified cash basis of accounting. Although formatted similar to GAAP basis financial statements, the District's modified cash basis financial statements and notes omit certain assets, liabilities, deferred inflows, deferred outflows, fund equities, and disclosures. The differences between the District's financial statements and GAAP basis financial statements cannot be reasonably determined but presumably such differences are material. Pursuant to Ohio Revised Code Section 117.38 the District may be fined and/or subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District.

District's Response:

The Board of Education believes the decision to prepare modified cash basis financial statements is in the best interest of the District. The Board has evaluated the cost-benefit relationship of preparing GAAP statements for the fiscal year ended June 30, 2017 and determined that the significant cost of compliance exceeds the benefit received. See Corrective Action Plan.

Finding 2017-002 Finding Type – Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.39 requires appropriations to be limited by estimated resources. Upon review of appropriations and estimated resources, it was noted that appropriations exceeded estimated resources by \$63,352 during the year for the Food Service Fund.

District's Response:

While in agreement with Finding 2017-002, the District calls attention to the fact that this did not result in any expenditures exceeding appropriations. See Corrective Action Plan.

Finding 2017-003 Finding Type – Noncompliance – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) requires the District to appropriate money before it is expended. Upon review of expenditures and appropriations, it was noted that expenditures exceeded appropriations by \$145,261 during the year for the General Fund.

District's Response:

While in agreement with Finding 2017-003, the District calls attention to the fact that this did not result in expenditures exceeding resources. See Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

None

**MAUMEE CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

Finding Number	Finding Summary	Finding Corrected	Initial Occurrence	Explanation
2016-001	Ohio Revised Code § 117.38 & Ohio Administrative Code § 117-2-03(B) require the District to prepare financial statements in accordance with GAAP.	No	FY 2012	The District prepared <i>GASB 34 Look-Alike Statements</i> pursuant to a cost-benefit analysis. See Corrective Action Plan.
2016-002	Ohio Revised Code § 5705.39 requires appropriations to be limited by estimated resources. Appropriations exceeded estimated resources for the Food Service Fund.	No	FY 2015	Appropriations exceeded estimated resources in the Food Service Fund. The Treasurer will monitor appropriations versus estimated resources to ensure no noncompliance with ORC 5705.39. See Corrective Action Plan.

**MAUMEE CITY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2017**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The School District plans to continue to prepare modified cash basis financial statements due to the cost requirement of preparing these financial statements according to Generally Accepted Accounting Principles (GAAP).	N/A	Paul Brotzki, Treasurer
2017-002	The School District will monitor appropriations versus estimated resources to ensure no noncompliance with ORC 5705.39.	June 2018	Paul Brotzki, Treasurer
2017-003	The School District will monitor expenditures versus appropriations to ensure no noncompliance with ORC 5705.41(B).	June 2018	Paul Brotzki, Treasurer



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
MARCH 6, 2018**