



**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Maumee City School District, Lucas County, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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



Jim Petro
Auditor of State

April 13, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS			
Assets:			
Equity in pooled cash and cash equivalents	\$3,745,108	\$665,903	\$696,734
Equity in pooled cash and cash equivalents - nonexpendable trust fund			
Receivables (net of allowances of uncollectibles):			
Property taxes - current and delinquent	16,889,739		451,399
Accounts	15,694	3,191	
Interfund loan receivable	109,152		
Due from other governments		1,024	2,008,560
Prepayments	33,920	5,135	
Materials and supplies inventory	14,119		
Restricted assets:			
Equity in pooled cash and cash equivalents	121,957		
Property, plant and equipment (net of accumulated depreciation where applicable)			
Other Debits:			
Amount to be provided for retirement of General Long-Term Obligations			
Total assets and other debits	<u>\$20,929,689</u>	<u>\$675,253</u>	<u>\$3,156,693</u>
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts payable	\$23,900	\$44,323	\$5,431
Accrued wages and benefits	2,022,383	43,077	10
Compensated absences payable	166,152		
Contracts payable			151,500
Pension obligation payable	300,872	9,854	
Interfund loan payable		109,152	
Deferred revenue	16,612,764		2,446,109
Due to other governments	15,142		
Due to students			
Claims payable			
Obligation under capital lease			
Total liabilities	<u>19,141,213</u>	<u>206,406</u>	<u>2,603,050</u>
Equity and Other Credits:			
Investment in general fixed assets			
Contributed capital			
Retained earnings/(Accumulated deficit): unreserved			
Fund balances:			
Reserved for encumbrances	145,008	307,920	334,923
Reserved for supplies inventory	14,119		
Reserved for prepayments	33,920	5,135	
Reserved for tax revenue unavailable for appropriation	141,315		4,220
Reserved for principal endowment			
Reserved for scholarships			
Reserved for budget stabilization	121,957		
Unreserved-undesignated	1,332,157	155,792	214,500
Total equity and other credits	<u>1,788,476</u>	<u>468,847</u>	<u>553,643</u>
Total liabilities, equity and other credits	<u>\$20,929,689</u>	<u>\$675,253</u>	<u>\$3,156,693</u>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$147,868	\$0	\$44,091 69,766	\$0	\$0	\$5,299,704 69,766
606		100			17,341,138 19,591 109,152
15,042					2,024,626
7					39,062
13,233					27,352
					121,957
40,784			14,546,900		14,587,684
				1,028,278	1,028,278
\$217,540	\$0	\$113,957	\$14,546,900	\$1,028,278	\$40,668,310
\$1,116	\$0	\$499	\$0	\$0	\$75,269
11,941		19			2,077,430
9,731				867,117	1,043,000
					151,500
44,718				149,830	505,274
					109,152
5,117					19,063,990
		24,183			15,142
	363				24,183
					363
				11,331	11,331
72,623	363	24,701	0	1,028,278	23,076,634
			14,546,900		14,546,900
21,499					21,499
123,418	(363)				123,055
		2,210			790,061
					14,119
					39,055
					145,535
		60,000			60,000
		9,766			9,766
					121,957
		17,280			1,719,729
144,917	(363)	89,256	14,546,900	0	17,591,676
\$217,540	\$0	\$113,957	\$14,546,900	\$1,028,278	\$40,668,310

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
From local sources:		
Taxes	\$16,112,973	\$0
Tuition	135,131	
Earnings on investments	337,857	7,841
Other local revenues	153,454	458,652
Intergovernmental - State	4,353,703	546,820
Intergovernmental - Federal	12,911	501,517
Total revenue	<u>21,106,029</u>	<u>1,514,830</u>
Expenditures:		
Current:		
Instruction:		
Regular	10,539,493	145,677
Special	1,392,396	224,172
Vocational	447,216	
Other	100,405	
Support services:		
Pupil	875,540	18,240
Instructional staff	427,012	349,651
Board of Education	35,029	
Administration	1,750,999	4,881
Fiscal	471,256	11,149
Business	53,001	148,998
Operations and maintenance	1,874,662	6,632
Pupil transportation	498,878	
Central	131,422	19,877
Community services		433,901
Extracurricular activities	548,849	257,705
Facilities services		
Debt service:		
Principal retirement	10,931	
Interest and fiscal charges	817	
Total expenditures	<u>19,157,906</u>	<u>1,620,883</u>
Excess of revenues over (under) expenditures	<u>1,948,123</u>	<u>(106,053)</u>
Other financing sources (uses):		
Operating transfers in		254,545
Operating transfers out	(274,520)	(2,111)
Proceeds from sale of assets	3,114	
Total other financing sources (uses)	<u>(271,406)</u>	<u>252,434</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>1,676,717</u>	<u>146,381</u>
Fund balance (deficit), July 1	106,781	322,466
(Decrease) in reserve for inventory	4,978	
Fund balance, June 30	<u>\$1,788,476</u>	<u>\$468,847</u>

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

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$44,683	\$387,572	\$0	\$16,545,228
			135,131
		269	345,967
	74,419	29,737	716,262
	37,426		4,937,949
			514,428
44,683	499,417	30,006	23,194,965
	123,995	3,351	10,812,516
			1,616,568
			447,216
			100,405
			893,780
	6,526		783,189
			35,029
	3,400		1,759,280
			482,405
			201,999
			1,881,294
			498,878
		530	151,829
		20,658	454,559
			806,554
	513,319		513,319
42,921			53,852
1,762			2,579
44,683	647,240	24,539	21,495,251
0	(147,823)	5,467	1,699,714
	28,000	5,000	287,545
			(276,631)
	195,952		199,066
0	223,952	5,000	209,980
0	76,129	10,467	1,909,694
	477,514	9,023	915,784
			4,978
\$0	\$553,643	\$19,490	\$2,830,456

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$15,316,845	\$16,221,595	\$904,750			
Tuition	150,000	125,371	(24,629)			
Earnings on investments	260,000	344,515	84,515	\$7,816	\$7,842	\$26
Other local revenues	96,710	143,234	46,524	455,090	455,097	7
Intergovernmental - State	4,564,851	4,355,568	(209,283)	546,821	546,821	0
Intergovernmental - Federal	14,000	12,911	(1,089)	531,553	500,492	(31,061)
Total revenues	<u>20,402,406</u>	<u>21,203,194</u>	<u>800,788</u>	<u>1,541,280</u>	<u>1,510,252</u>	<u>(31,028)</u>
Expenditures:						
Current:						
Instruction:						
Regular	10,901,018	10,844,005	57,013	335,713	275,236	60,477
Special	1,418,253	1,415,663	2,590	286,548	235,520	51,028
Vocational	469,900	469,839	61	30	0	30
Other	101,600	100,405	1,195			
Support services:						
Pupil	893,650	889,228	4,422	18,240	18,240	0
Instructional staff	454,167	443,341	10,826	381,240	357,247	23,993
General administration	37,745	30,714	7,031			
School administration	1,705,291	1,692,051	13,240	3,604	140	3,464
Fiscal	477,215	467,241	9,974	15,682	12,585	3,097
Business	58,235	52,859	5,376	214,145	150,486	63,659
Operations and maintenance	1,972,629	1,935,580	37,049	9,472	6,545	2,927
Pupil transportation	558,775	515,079	43,696			
Central	160,000	142,801	17,199	20,464	19,983	481
Community services				612,167	611,912	255
Extracurricular activities	558,400	550,553	7,847	304,825	263,527	41,298
Capital outlay						
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total expenditures	<u>19,766,878</u>	<u>19,549,359</u>	<u>217,519</u>	<u>2,202,130</u>	<u>1,951,421</u>	<u>250,709</u>
Excess of revenues over (under) expenditures	<u>635,528</u>	<u>1,653,835</u>	<u>1,018,307</u>	<u>(660,850)</u>	<u>(441,169)</u>	<u>219,681</u>
Other financing sources (uses):						
Refund of prior year's expenditures	20,000	13,567	(6,433)	364	364	0
Refund of prior year's (receipts)	(500)	(229)	271	(280)	0	280
Operating transfers in				254,615	254,545	(70)
Operating transfers (out)	(287,000)	(274,520)	12,480	(2,111)	(2,111)	0
Advances in				109,152	109,152	0
Advances (out)	(109,152)	(109,152)	0			
Proceeds of sale of fixed assets	2,000	3,114	1,114			
Total other financing sources (uses)	<u>(374,652)</u>	<u>(367,220)</u>	<u>7,432</u>	<u>361,740</u>	<u>361,950</u>	<u>210</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>260,876</u>	<u>1,286,615</u>	<u>1,025,739</u>	<u>(299,110)</u>	<u>(79,219)</u>	<u>219,891</u>
Fund balance, July 1	2,324,019	2,324,019	0	347,665	347,665	0
Prior year encumbrances appropriated	91,158	91,158	0	52,932	52,932	0
Fund balance, June 30	<u>\$2,676,053</u>	<u>\$3,701,792</u>	<u>\$1,025,739</u>	<u>\$101,487</u>	<u>\$321,378</u>	<u>\$219,891</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$44,683	\$44,683	\$0	\$390,526	\$390,526	\$0	\$15,752,054	\$16,656,804	\$904,750
						150,000	125,371	(24,629)
			64,419	74,419	10,000	267,816	352,357	84,541
			115,088	115,088	0	616,219	672,750	56,531
						5,226,760	5,017,477	(209,283)
						545,553	513,403	(32,150)
44,683	44,683	0	570,033	580,033	10,000	22,558,402	23,338,162	779,760
			131,429	123,978	7,451	11,368,160	11,243,219	124,941
						1,704,801	1,651,183	53,618
						469,930	469,839	91
						101,600	100,405	1,195
						911,890	907,468	4,422
			7,025	6,525	500	842,432	807,113	35,319
						37,745	30,714	7,031
			6,434	3,400	3,034	1,715,329	1,695,591	19,738
						492,897	479,826	13,071
						272,380	203,345	69,035
						1,982,101	1,942,125	39,976
						558,775	515,079	43,696
						180,464	162,784	17,680
						612,167	611,912	255
						863,225	814,080	49,145
			1,029,780	848,823	180,957	1,029,780	848,823	180,957
42,921	42,921	0				42,921	42,921	0
1,762	1,762	0				1,762	1,762	0
44,683	44,683	0	1,174,668	982,726	191,942	23,188,359	22,528,189	660,170
0	0	0	(604,635)	(402,693)	201,942	(629,957)	809,973	1,439,930
						20,364	13,931	(6,433)
						(780)	(229)	551
			28,000	28,000	0	282,615	282,545	(70)
						(289,111)	(276,631)	12,480
						109,152	109,152	0
						(109,152)	(109,152)	0
			195,952	195,952	0	197,952	199,066	1,114
0	0	0	223,952	223,952	0	211,040	218,682	7,642
0	0	0	(380,683)	(178,741)	201,942	(418,917)	1,028,655	1,447,572
0	0	0	173,889	173,889	0	2,845,573	2,845,573	0
			209,773	209,773	0	353,863	353,863	0
\$0	\$0	\$0	\$2,979	\$204,921	\$201,942	\$2,780,519	\$4,228,091	\$1,447,572

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT)/FUND BALANCE
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>	
	<u>Enterprise</u>	<u>Internal Service</u>
Operating revenues:		
Tuition and fees	\$246,010	
Sales/charges for services	597,481	\$101,197
Investment earnings		
Other operating revenues		
Total operating revenues	<u>843,491</u>	<u>101,197</u>
Operating expenses:		
Personal services	372,934	
Contract services	460,201	
Materials and supplies	145,441	
Depreciation	3,419	
Claims expense		95,039
Other operating expenses	3,101	
Total operating expenses	<u>985,096</u>	<u>95,039</u>
Operating income (loss)	<u>(141,605)</u>	<u>6,158</u>
Nonoperating revenues:		
Operating grants	107,306	
Federal commodities	54,099	
Interest revenue	529	
Total nonoperating revenues	<u>161,934</u>	<u>0</u>
Net income (loss) before operating transfers	<u>20,329</u>	<u>6,158</u>
Operating transfers in	17,086	
Operating transfers in	<u>(28,000)</u>	
Net income (loss)	9,415	6,158
Retained earnings (Accumulated deficit)/Fund Balance July 1	<u>114,003</u>	<u>(6,521)</u>
Retained earnings (Accumulated deficit)/Fund Balance June 30	<u>\$123,418</u>	<u>(\$363)</u>

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

<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Nonexpendable Trust</u>	
	\$246,010
	698,678
\$3,536	3,536
12,244	12,244
<u>15,780</u>	<u>960,468</u>
	372,934
	460,201
	145,441
	3,419
	95,039
15,838	18,939
<u>15,838</u>	<u>1,095,973</u>
<u>(58)</u>	<u>(135,505)</u>
	107,306
	54,099
	529
0	161,934
<u>(58)</u>	<u>26,429</u>
	17,086
	(28,000)
(58)	15,515
69,824	177,306
<u>\$69,766</u>	<u>\$192,821</u>

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types	
	Enterprise	Internal Service
Cash flows from operating activities:		
Cash received from tuition and fees	\$245,404	
Cash received from sales/service charges	605,729	\$101,197
Cash received from other operations		
Cash payments for personal services	(374,179)	
Cash payments for contract services	(459,582)	
Cash payments supplies and materials	(90,828)	
Cash payments for claims expenses		(111,197)
Cash payments for other expenses	(3,101)	
Net cash provided (used) by operating activities	(76,557)	(10,000)
Cash flows from noncapital financing activities:		
Cash received from operating grants	106,777	
Transfers in from other funds	32,086	
Transfers out from other funds	(43,000)	
Net cash provided by noncapital financing activities	95,863	0
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,755)	
Net cash (used) by capital and related financing activities	(1,755)	0
Cash flows from investing activities:		
Interest received	529	
Net cash provided by investing activities	529	0
Net increase (decrease) in cash and cash equivalents	18,080	(10,000)
Cash and cash equivalents at beginning of year	129,788	10,000
Cash and cash equivalents at end of year	\$147,868	\$0
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	(\$141,605)	\$6,158
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,419	
Federal donated commodities	54,099	
Interest reported as operating income		
Changes in assets and liabilities:		
Decrease in supplies inventory	11,453	
Decrease in accounts receivable	7,642	
Increase in prepayments	(7)	
Increase in accounts payable	573	
Decrease in accrued wages and benefits	(9,716)	
Increase in compensated absences payable	209	
Increase in pension obligation payable	8,262	
Decrease in claims payable		(16,158)
Decrease in deferred revenue	(10,886)	
Net cash provided (used) by operating activities	(\$76,557)	(\$10,000)

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

<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	\$245,404
	706,926
\$12,244	12,244
	(374,179)
	(459,582)
	(90,828)
	(111,197)
(15,838)	(18,939)
(3,594)	(90,151)
	106,777
	(43,000)
0	95,863
	(1,755)
0	(1,755)
3,536	4,065
3,536	4,065
(58)	8,022
69,824	209,612
\$69,766	\$217,634
(\$58)	(\$135,505)
	3,419
	54,099
(3,536)	(3,536)
	11,453
	7,642
	(7)
	573
	(9,716)
	209
	8,262
	(16,158)
	(10,886)
(\$3,594)	(\$90,151)

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The School District is located in central Lucas County in northeast Ohio, encompassing all of the City of Maumee, and including portions of surrounding townships.

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

The District ranks as the 160th largest by enrollment among the 612 districts in the State. It currently operates 4 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 117 non-certified and 234 certified full-time and part-time employees to provide services to approximately 2,900 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Maumee City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organizations:

Northwest Ohio Computer Association (NWOCA)

The District is a participant with 28 other school districts in a jointly governed organization to operate NWOCA. NWOCA was formed for the purpose of providing computer services. NWOCA is governed by a board of directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District does not have an ongoing financial interest or responsibility in NWOCA.

Penta County Joint Vocational School

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

B. Fund Accounting

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

1. Governmental Funds

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

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

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

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

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

2. Proprietary Funds

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Internal Service Funds - The Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the District, or to other governmental units, on a cost-reimbursement basis.

3. Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental funds. Nonexpendable Trust funds are accounted for in essentially the same manner as Proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations; Agency Funds are therefore presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other fund types, would be subject to accrual.

4. Account Groups

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary and Nonexpendable Trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Lucas County Budget Commission for tax rate determination.
3. Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations during fiscal 1999 were legally enacted by the Board as follows:

	<u>Increase/(Decrease)</u>
General	\$ 482,192
Special Revenue	362,139
Capital Projects	360,681
Enterprise	77,213
Internal Service	(3,803)
Trust	4,874
Agency	20,463
 TOTAL	 \$1,303,759

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 12.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet.

During 1999 investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

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

	<u>Interest Actually Received</u>	<u>Interest Based Upon Share of Investments</u>	<u>Interest Assigned From Other Funds</u>
General	\$337,857	\$246,168	\$91,689
<u>Enterprise Funds</u>			
Food Service	529	183	346

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

F. Inventory

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District has a policy of not capitalizing assets with a cost of less than \$500. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary and Nonexpendable Trust Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture and Equipment	8 - 20

H. Intergovernmental Revenues

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Capital Projects Funds

State Property Tax Relief

Special Revenue Funds

Auxiliary Services

Non-Reimbursable Grants

Special Revenue Funds

Technology Grant
Venture Capital
Teacher Development
School Net Professional Development
Educational Television
Management Information Systems

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Title VI-B
Title I
Title VI
Drug-Free Schools
Data Communication
Instructional Materials Subsidy
Telecommunications

Capital Project Funds
School Net

Reimbursable Grants

General Fund
School Bus Purchases
Driver Education

Special Revenue Funds
Underground Storage Tank

Proprietary
National School Lunch Program
National School Milk Program
Adult Education

Grants and entitlements amounted to over 23% of the District's operating revenue during the 1999 fiscal year.

I. Compensated Absences

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

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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

J. Contributed Capital

Contributed capital reported in the Enterprise funds represents resources provided from other funds, other governments, or private sources that is not subject to repayment. These assets are recorded at fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Contributed capital did not change during fiscal year 1999.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental fund when due, or when resources have been accumulated in the Debt Service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

L. Fund Equity

Contributed capital is recorded in Proprietary funds which received capital grants or contributions from other funds. Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepaids, tax revenue unavailable for appropriation and budget stabilization. In addition, although the Nonexpendable Trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment, and for available cash from which student scholarships will be made. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

M. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 1999 is presented in Note 5.

N. Statutory Reserves

The District is required by State law to set-aside certain General fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$121,957	\$ 121,957
Current year set-aside requirement	334,093	334,093	843,867	1,512,053
Current year offsets	(42,248)	(334,093)	0	(376,341)
Qualifying disbursements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>291,845</u>	<u>0</u>	<u>965,824</u>	<u>1,257,669</u>
Cash balance carried forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$121,957</u>	<u>\$ 121,957</u>

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	<u>\$121,957</u>
Total restricted assets	<u>\$121,957</u>

O. Prepaids

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

P. Statement of Cash Flows

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

Q. Parochial Schools

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

R. Financial Reporting for Proprietary and Similar Fund Types

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

S. Estimates

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

T. Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is completely restricted by State legislation.

U. Memorandum Only - Total Columns

Total columns on the General-Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 1999 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Title VI-B	\$(11,327)
Title I	(766)
<u>Internal Service Fund</u>	
Self-Insurance	(363)

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. These deficits do not exist on the budget-basis of accounting which complies with State law.

B. Compliance

The treasurer did not certify all expenditures at the point when the contract is entered into or when orders for goods or services are placed by district officials.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand

At year end, the District had \$6,410 in undeposited cash on hand which is included on the Balance Sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Deposits

At year-end the carrying amount of the District's deposits was \$(478,066) and the bank balance was zero (both amounts include payroll clearance accounts, which were part of an overnight repurchase agreement reported below). The District did not record a liability due to the 'zero balance' nature of its bank accounts.

Investments

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

	<u>Category of Risk</u>		<u>Fair</u>
	<u>1</u>	<u>3</u>	<u>Value</u>
Repurchase Agreement	\$100,000	\$1,300,096	\$1,400,096
Not Subject to Categorization:			
Investment in State			
Treasurer's Investment Pool	_____	_____	<u>4,562,987</u>
Total Investments	<u>\$100,000</u>	<u>\$1,300,096</u>	<u>\$5,963,083</u>

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

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

	<u>Pooled Cash and</u>	<u>Investments</u>
	<u>Cash Equivalents</u>	
GASB Statement No. 9	\$ 5,491,427	
Investments of the Cash		
Management Pool:		
Repurchase Agreement	(1,400,096)	\$1,400,096
State Treasurer's Investment Pool	(4,562,987)	4,562,987
Cash on Hand	<u>(6,410)</u>	_____
GASB Statement No. 3	<u>\$ (478,066)</u>	<u>\$5,963,083</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a reconciliation of the District's operating transfers for fiscal year 1999:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$(274,520)
<u>Special Revenue Funds</u>		
Technology Grant	\$250,000	
Public School Support	2,111	
Education Foundation		(2,111)
District Managed Student Activity	2,434	
<u>Capital Projects Funds</u>		
Permanent Improvement	28,000	
<u>Enterprise Funds</u>		
Food Service	17,086	
Adult Education		(28,000)
<u>Trust Funds</u>		
Expendable Trust	5,000	_____
Totals	<u>\$304,631</u>	<u>\$(304,631)</u>

B. Interfund Loans Payable/Receivable

Interfund balances at June 30, 1999, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans (Payable)</u>
<u>General Fund</u>	\$109,152	
<u>Special Revenue Fund</u>		
Auxiliary Services		\$(108,128)
Drug-Free School Grant	_____	(1,024)
Total Interfund Loans	<u>\$109,152</u>	<u>\$(109,152)</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 6 - PROPERTY TAXES

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

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

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1998 taxes were collected was \$437,315,834. Agricultural/Residential and public utility real estate represented 44.72% or \$195,552,450 of this total; Commercial & Industrial real estate represented 31.62% or \$138,299,840; general tangible property 18.60% or \$81,326,044 and public utilities tangible 5.06% or \$22,137,500. The voted general tax rate for operations at the fiscal year ended June 30, 1999 was \$55.30 per \$1,000.00 of assessed valuation and \$1.50 per \$1,000.00 of assessed valuation for permanent improvements.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1998. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of real tax advances of the August settlement available June 30) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds. A summary of the principal items of receivables follows:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 7 - RECEIVABLES (Continued)

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$16,889,739
Accounts Receivable	15,694
Interfund Loans	109,152
 <u>Capital Project Funds</u>	
Taxes - Current and Delinquent	451,399
Due from Other Governments	2,008,560
 <u>Enterprise Funds</u>	
Due from Other Governments	15,042

NOTE 8 - FIXED ASSETS

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

	<u>Balance</u> <u>July 1, 1998</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 1999</u>
Land/				
Improvements	\$ 1,187,728	\$190,092		\$ 1,377,820
Buildings	7,459,629	202,244		7,661,873
Furniture/				
Equipment	3,940,565	333,654	\$(29,464)	4,244,755
Vehicles	1,085,099	25,853		1,110,952
Construction in Progress	_____	<u>151,500</u>	_____	<u>151,500</u>
 Total	<u>\$13,673,021</u>	<u>\$903,343</u>	<u>\$(29,464)</u>	<u>\$14,546,900</u>

A summary of the Proprietary and Similar Fiduciary Funds fixed assets at June 30, 1999 follows:

	<u>Proprietary</u>
Furniture and Equipment	\$266,405
Less Accumulated Depreciation	<u>(225,621)</u>
Net fixed Assets	<u>\$ 40,784</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District has entered into capitalized leases for the acquisition of musical instruments.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

Each lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Expendable Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 1999 fiscal year totaled \$10,931. This amount is reflected as debt service principal retirement in the General fund.

The following is an analysis of equipment leased under capital leases as of June 30, 1999:

	General Fixed Assets
Musical Instruments	\$52,827
Carrying Value	<u>\$52,827</u>

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 1999:

<u>General Long-Term Obligations</u>	
<u>June 30 Year Ending</u>	
2000	\$11,748
Total Future Minimum Lease Payments	11,748
Less: Amount Representing Interest	<u>(417)</u>
Present Value of Future Minimum Lease Payments	<u>\$11,331</u>

The District does not have capitalized lease obligations after fiscal year 2000.

NOTE 10 - LONG-TERM DEBT

General obligation bonds issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service fund.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 10 - LONG-TERM DEBT (Continued)

A. The following is a description of the Maumee City School District general obligation bonds as of June 30, 1999:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Principal Outstanding July 1, 1998</u>	<u>Issued in Fiscal 1999</u>	<u>Retired in Fiscal 1999</u>	<u>Principal Outstanding June 30, 1999</u>
School Improvement Bond	4.20%	12/1/94	12/1/98	<u>\$42,921</u>	<u>\$ 0</u>	<u>\$(42,921)</u>	<u>\$ 0</u>

B. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences will ultimately be paid from the fund from which the employee is paid.

	<u>Balance July 1, 1998</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance June 30, 1999</u>
Compensated Absences	\$910,268	\$157,260	\$(200,411)	\$867,117
Pension obligation payable	163,043	149,830	(163,043)	149,830
School Improvement Bond	42,921		(42,921)	0
Capital Leases	<u>22,262</u>		<u>(10,931)</u>	<u>11,331</u>
Total	<u>\$1,138,494</u>	<u>\$307,090</u>	<u>\$(417,306)</u>	<u>\$1,028,278</u>

C. Legal Debt Margin

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

The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$39,358,425 and an unvoted debt margin of \$437,316.

NOTE 11 - RISK MANAGEMENT

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

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured, to a limit of \$53,869,340.

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 11 - RISK MANAGEMENT (Continued)

In past years, the School District provided dental coverage to employees on a self-insured basis. This program was administered by an independent company. The estimated accrued liability for claims is determined by the independent company by examining payments made after the end of the fiscal year and accruing all expenses incurred during the fiscal year for the year end liability. As of June 30, 1999, the District no longer provides dental coverage on a self-insured basis. The remaining claims liability represents claims "run-out" of the previous self-insured plan.

The claims liability at June 30, 1999, as well as the previous three fiscal years is as follows:

<u>Fiscal Year Ended June 30</u>	<u>Beginning Claims Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Claims Liability</u>
1996	\$13,576	\$139,843	\$138,403	\$15,016
1997	15,016	156,727	156,864	16,723
1998	16,723	171,823	168,824	19,722
1999	19,722	91,838	111,197	363

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of food service, uniform school supplies, and adult education programs. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenue	\$597,481	\$89,752	\$156,258	\$843,491
Depreciation	3,419			3,419
Operating Income (Loss)	(190,372)	6,672	42,095	(141,605)
Operating Grants	107,306			107,306
Net Income (Loss)	(11,352)	6,672	14,095	9,415
Net Working Capital	(7,848)	23,922	97,790	113,864
Total Assets	72,016	24,065	121,459	217,540
Long-Term Liabilities				
Payable from Fund				
Revenue	9,731			9,731
Total Liabilities	48,811	143	23,669	72,623
Contributed Capital	21,499			21,499
Total Equity	23,205	23,922	97,790	144,917
Encumbrances Outstanding as of 06/30/99	1,242	4,096	354	5,692

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 7.7 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$360,271, \$352,815, and \$308,544, respectively; 50 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$178,812, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,635,303, \$1,657,034, and \$1,523,493, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$265,584, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$934,459 during the 1999 fiscal year. As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000.

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

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$223,000 during the 1999 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	Governmental Fund Types		
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>
Budget Basis	\$1,286,615	\$(79,219)	\$(178,741)
Net Adjustment for Revenue Accruals	(97,165)	4,578	(80,616)
Net Adjustment for Expenditure Accruals	226,180	(13,987)	(156,327)
Net Adjustment for Other Sources/Uses	95,814	(109,516)	
Adjustment for Encumbrances	<u>165,273</u>	<u>344,525</u>	<u>491,813</u>
GAAP Basis	<u>\$1,676,717</u>	<u>\$146,381</u>	<u>\$ 76,129</u>

NOTE 16 - CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

B. Litigation

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 16 - CONTINGENT LIABILITIES (Continued)

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$2,872,447 of school foundation support in total support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 17 - COMMUNITY REINVESTMENT AREA

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Grant Number	Receipts	Non-Cash Receipts	Disburse- ment	Non-Cash Disburse- ment
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Breakfast	10.553	05-PU-98 05-PU-99	\$2,646 4,723		\$2,646 4,723	
Total National School Breakfast			7,369	\$0	7,369	\$0
National School Lunch	10.555	03-PU-98 03-PU-99 04-PU-98 04-PU-99	8,332 26,288 16,029 44,323		8,332 26,288 16,029 44,323	
Total National School Lunch			94,972	0	94,972	0
Total Nutrition Cluster			102,341	0	102,341	0
Food Distribution	10.550		0	43,213	0	54,099
Total United States Department of Agriculture			102,341	43,213	102,341	54,099
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Handicapped Preschool and School Programs, Title VI-B	84.027	6B-SF-97P 6B-SF-98P	(187) 149,858		22,331 141,489	
Total Special Education Cluster			149,671	0	163,820	0
Title I	84.010	C1-S1-98 C1-S1-99	130,217		39,460 107,992	
Total Chapter 1 / Title I			130,217	0	147,452	0
Drug Free Schools	84.186	DR-S1-98 DR-S1-99	(1,076) 14,658		2,102 15,682	
Total Drug Free Schools			13,582	0	17,784	0
Goals 2000	84.276	G2-S2-99	1,434	0	1,434	0
Innovative Educational Program Strategy	84.298	C2-S1-97C C2-S1-98 C2-S1-99	(695) 0 14,935		2,713 8,971	
Total Innovative Educational Program Strategy			14,240	0	11,684	0
Technology Literacy Challenge	84.318	TF-31-98P	150,000		536	
Eisenhower, ISAS Title II	84.281	MS-S1-99	9,271	0	0	0
Total United States Department of Education			468,415	0	342,710	0
Telecommunications Act Grant	84.XXX	84.XXX	5,554	0	5,554	0
TOTAL FEDERAL ASSISTANCE			<u>\$576,310</u>	<u>\$43,213</u>	<u>\$450,605</u>	<u>\$54,099</u>

The accompanying notes to this schedule are an integral part of this schedule.

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

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



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

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

To the Board of Education:

We have audited the financial statements of Maumee City School District, Lucas County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated April 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings *1999-10148-001*. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated April 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 13, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

April 13, 2000



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

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

To the Board of Education:

We have audited the compliance of the Maumee City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

April 13, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Title 1, Part A, IASA CFDA #84.010 Handicapped Preschool and School Programs, Title IV-B CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 1999-10148-001

Ohio Revised Code § 5705.41(D) provides that no subdivision or taxing unit shall enter into any contract unless a certificate, signed by the fiscal officer of the subdivision, is attached to the contract stating that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund and is free from any encumbrances. Otherwise, the contract shall be null and void.

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

1. Concerning contracts where the amount in question is \$1,000 or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum has been appropriated and was in the treasury or in the process of being collected and that the money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
2. Concerning amounts less than \$1,000, the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

The Treasurer did not make the proper certification of funds for twenty-eight percent of the expenditures tested during the audit period.

We recommend that the Treasurer certify all expenditures at the point when the contract is entered into or when orders for goods or services are placed by district officials. The certification can be made through the use of "blanket" or "then and now" certificates.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
MAY 9, 2000**