



**Auditor of State  
Betty Montgomery**



**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Maumee City School District  
Lucas County  
2345 Detroit Ave.  
Maumee, OH 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, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Maumee City School District, Lucas County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 3D to the general-purpose financial statements, the District changed the fund type classification of certain nonexpendable trust funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 28, 2003

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**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$6,692,569	\$974,810	\$989,597
Equity in pooled cash and cash equivalents - nonexpendable trust fund			
Receivables (net of allowances of uncollectibles):			
Property taxes - current and delinquent	17,168,540		442,374
Accounts	3,605	60	
Accrued interest	44,422		
Interfund loan receivable	25,000		
Due from other governments		132,402	1,497,318
Materials and supplies inventory	7,652		
Restricted assets:			
Equity in pooled cash and cash equivalents	250,175		
Prepayments	88,303		
Property, plant and equipment (net of accumulated depreciation where applicable)			
<b>Other debits:</b>			
Amount to be provided for retirement of general long-term obligations			
	\$24,280,266	\$1,107,272	\$2,929,289
<b>Total assets and other debits</b>			



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$162,770	\$84,338			\$8,904,084
	51,472			51,472
				17,610,914
				3,665
				44,422
				25,000
				1,629,720
6,179				13,831
				250,175
				88,303
72,790		\$16,924,265		16,997,055
			\$1,369,764	1,369,764
<b>\$241,739</b>	<b>\$135,810</b>	<b>\$16,924,265</b>	<b>\$1,369,764</b>	<b>\$46,988,405</b>

(Continued)

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002  
(Continued)

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
<b>Liabilities:</b>			
Accounts payable	\$93,300	\$142,199	
Accrued wages and benefits	2,633,722	34,678	
Compensated absences payable	89,290		
Pension obligation payable	393,704	3,530	
Interfund loan payable		25,000	
Deferred revenue	16,609,963	33,754	\$1,838,138
Due to other governments	96,375	2,032	12
Due to students			
	<u>19,916,354</u>	<u>241,193</u>	<u>1,838,150</u>
<b>Equity and other credits:</b>			
Investment in general fixed assets			
Contributed capital			
Retained earnings : unreserved			
Fund balances:			
Reserved for encumbrances	314,886	74,143	333,428
Reserved for materials and supplies inventory	7,652		
Reserved for prepayments	88,303		
Reserved for tax revenue unavailable for appropriation	246,242		86,518
Reserved for budget stabilization	121,957		
Reserved for bus purchase allowance	128,218		
Reserved for principal endowment			
Unreserved-undesignated	3,456,654	791,936	671,193
	<u>4,363,912</u>	<u>866,079</u>	<u>1,091,139</u>
Total equity and other credits			
	<u>4,363,912</u>	<u>866,079</u>	<u>1,091,139</u>
<b>Total liabilities, equity and other credits</b>	<b><u>\$24,280,266</u></b>	<b><u>\$1,107,272</u></b>	<b><u>\$2,929,289</u></b>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
<b>Enterprise</b>	<b>Trust and Agency</b>			
\$7,434				\$242,933
26,157				2,694,557
8,697			\$1,162,008	1,259,995
42,277			207,756	647,267
				25,000
57,443				18,539,298
1,751	\$15			100,185
	42,635			42,635
<u>143,759</u>	<u>42,650</u>		<u>1,369,764</u>	<u>23,551,870</u>
		\$16,924,265		16,924,265
21,499				21,499
76,481				76,481
	150			722,607
				7,652
				88,303
				332,760
				121,957
				128,218
	23,000			23,000
	70,010			4,989,793
<u>97,980</u>	<u>93,160</u>	<u>16,924,265</u>		<u>23,436,535</u>
<b><u>\$241,739</u></b>	<b><u>\$135,810</u></b>	<b><u>\$16,924,265</u></b>	<b><u>\$1,369,764</u></b>	<b><u>\$46,988,405</u></b>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
<b>Revenues:</b>			
From local sources:			
Taxes	\$17,331,509		\$527,298
Tuition	202,771		
Earnings on investments	313,581	\$1,000	
Extracurricular activities		216,018	
Revenue in lieu of taxes			248,223
Other local revenues	160,027	314,654	
Intergovernmental - state	5,666,991	713,911	40,178
Intergovernmental - federal	<u>22,841</u>	<u>617,235</u>	
Total revenue	<u>23,697,720</u>	<u>1,862,818</u>	<u>815,699</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	12,422,550	159,206	28,285
Special	1,961,315	350,925	
Vocational	425,674	1,991	
Other	84,528		
Support services:			
Pupil	1,142,104	2,115	
Instructional staff	430,556	503,285	
Board of Education	54,986		
Administration	2,086,940		
Fiscal	514,078	7,918	
Business	45,358	135,087	
Operations and maintenance	2,416,513	7,736	
Pupil transportation	702,925		
Central	90,183	45,746	69,000
Community services	12,162	486,205	
Extracurricular activities	603,571	268,125	
Facilities acquisition and construction	73,819		18,159
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>23,067,262</u>	<u>1,968,339</u>	<u>115,444</u>
Excess of revenues over (under) expenditures	<u>630,458</u>	<u>(105,521)</u>	<u>700,255</u>
<b>Other financing sources (uses):</b>			
Operating transfers in		250,000	
Operating transfers out	(350,000)		
Proceeds from sale of fixed assets	<u>2,377</u>		
Total other financing sources (uses)	<u>(347,623)</u>	<u>250,000</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	282,835	144,479	700,255
Fund balances, July 1	4,083,736	721,600	390,884
Decrease in reserve for inventory	<u>(2,659)</u>		
<b>Fund balances, June 30</b>	<u><u>\$4,363,912</u></u>	<u><u>\$866,079</u></u>	<u><u>\$1,091,139</u></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>Expendable Trust</u>	
	\$17,858,807
	202,771
\$407	314,988
9,108	225,126
31,252	279,475
	474,681
	6,421,080
	<u>640,076</u>
<u>40,767</u>	<u>26,417,004</u>
3,858	12,613,899
	2,312,240
	427,665
	84,528
	1,144,219
	933,841
	54,986
	2,086,940
	521,996
	180,445
	2,424,249
	702,925
	204,929
140	498,507
40,325	912,021
	91,978
<u>44,323</u>	<u>25,195,368</u>
<u>(3,556)</u>	<u>1,221,636</u>
	250,000
	(350,000)
	<u>2,377</u>
	<u>(97,623)</u>
(3,556)	1,124,013
45,244	5,241,464
	<u>(2,659)</u>
<u><b>\$41,688</b></u>	<u><b>\$6,362,818</b></u>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<b>General</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
From local sources:			
Taxes	\$17,346,130	\$18,214,978	\$868,848
Tuition	193,099	202,771	9,672
Earnings on investments	313,780	329,497	15,717
Extracurricular			
Revenue in lieu of taxes			
Other local revenues	80,838	84,887	4,049
Intergovernmental - state	5,396,679	5,666,992	270,313
Intergovernmental - federal	19,982	20,983	1,001
Total revenues	<u>23,350,508</u>	<u>24,520,108</u>	<u>1,169,600</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	12,582,114	12,043,444	538,670
Special	1,854,694	1,869,017	(14,323)
Vocational	472,962	421,992	50,970
Other	162,500	81,040	81,460
Support services:			
Pupil	1,130,360	1,103,786	26,574
Instructional staff	463,962	435,660	28,302
Board of Education	68,129	55,444	12,685
Administration	2,161,354	2,026,611	134,743
Fiscal	463,593	509,118	(45,525)
Business	58,236	45,790	12,446
Operations and maintenance	2,868,979	2,678,579	190,400
Pupil transportation	692,940	741,123	(48,183)
Central	152,473	147,061	5,412
Community services	1,000	1,816	(816)
Extracurricular activities	504,971	583,742	(78,771)
Facilities acquisition and construction	147,919	148,342	(423)
Total expenditures	<u>23,786,186</u>	<u>22,892,565</u>	<u>893,621</u>
Excess of revenues over (under) expenditures	<u>(435,678)</u>	<u>1,627,543</u>	<u>2,063,221</u>
<b>Other financing sources (uses):</b>			
Operating transfers in			
Operating transfers out		(350,000)	(350,000)
Advances in			
Advances out	(125,000)	(25,000)	100,000
Proceeds from sale of fixed assets	2,264	2,377	113
Refund of prior year's receipts			
Refund of prior year expenditure	64,558	67,792	3,234
Total other financing sources (uses)	<u>(58,178)</u>	<u>(304,831)</u>	<u>(246,653)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(493,856)</u>	<u>1,322,712</u>	<u>1,816,568</u>
Fund balances, July 1	4,987,583	4,987,583	
Prior year encumbrances appropriated	258,835	258,835	
<b>Fund balances, June 30</b>	<b><u>\$4,752,562</u></b>	<b><u>\$6,569,130</u></b>	<b><u>\$1,816,568</u></b>

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

Special Revenue			Capital Projects		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$426,392	\$477,544	\$51,152
\$144,757	\$216,019	\$71,262			
212,430	317,006	104,576	221,634	248,223	26,589
463,657	691,910	228,253	35,874	40,178	4,304
362,255	540,588	178,333			
1,183,099	1,765,523	582,424	683,900	765,945	82,045
222,430	176,616	45,814	45,346	29,372	15,974
351,109	375,136	(24,027)			
1,975	1,991	(16)			
	2,115	(2,115)			
431,199	386,294	44,905			
517	807	(290)	905		905
	15,901	(15,901)			
165,916	140,477	25,439			
13,000	37,737	(24,737)			
66,973	45,746	21,227	69,000	69,000	
37,446	513,586	(476,140)			
290,048	269,000	21,048			
			1,005,572	968,243	37,329
1,580,613	1,965,406	(384,793)	1,120,823	1,066,615	54,208
(397,514)	(199,883)	197,631	(436,923)	(300,670)	136,253
167,528	250,000	82,472			
16,753	25,000	8,247			
(2,718)		2,718			
	(2,718)	(2,718)			
181,563	272,282	90,719			
(215,951)	72,399	288,350	(436,923)	(300,670)	136,253
712,002	712,002		298,532	298,532	
97,045	97,045		658,307	658,307	
<b>\$593,096</b>	<b>\$881,446</b>	<b>\$288,350</b>	<b>\$519,916</b>	<b>\$656,169</b>	<b>\$136,253</b>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)

	<b>Total (Memorandum only)</b>		
	<b>Budget Revised</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
From local sources:			
Taxes	\$17,772,522	\$18,692,522	\$920,000
Tuition	193,099	202,771	9,672
Earnings on investments	313,780	329,497	15,717
Extracurricular	144,757	216,019	71,262
Revenue in lieu of taxes	221,634	248,223	26,589
Other local revenues	293,268	401,893	108,625
Intergovernmental - state	5,896,210	6,399,080	502,870
Intergovernmental - federal	382,237	561,571	179,334
Total revenues	<u>25,217,507</u>	<u>27,051,576</u>	<u>1,834,069</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	12,849,890	12,249,432	600,458
Special	2,205,803	2,244,153	(38,350)
Vocational	474,937	423,983	50,954
Other	162,500	81,040	81,460
Support services:			
Pupil	1,130,360	1,105,901	24,459
Instructional staff	895,161	821,954	73,207
Board of Education	68,129	55,444	12,685
Administration	2,162,776	2,027,418	135,358
Fiscal	463,593	525,019	(61,426)
Business	224,152	186,267	37,885
Operations and maintenance	2,881,979	2,716,316	165,663
Pupil transportation	692,940	741,123	(48,183)
Central	288,446	261,807	26,639
Community services	38,446	515,402	(476,956)
Extracurricular activities	795,019	852,742	(57,723)
Facilities acquisition and construction	1,153,491	1,116,585	36,906
Total expenditures	<u>26,487,622</u>	<u>25,924,586</u>	<u>563,036</u>
Excess of revenues over (under) expenditures	<u>(1,270,115)</u>	<u>1,126,990</u>	<u>2,397,105</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	167,528	250,000	82,472
Operating transfers out		(350,000)	(350,000)
Advances in	16,753	25,000	8,247
Advances out	(127,718)	(25,000)	102,718
Proceeds from sale of fixed assets	2,264	2,377	113
Refund of prior year's receipts		(2,718)	(2,718)
Refund of prior year expenditure	64,558	67,792	3,234
Total other financing sources (uses)	<u>123,385</u>	<u>(32,549)</u>	<u>(155,934)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(1,146,730)</u>	<u>1,094,441</u>	<u>2,241,171</u>
Fund balances, July 1	5,998,117	5,998,117	
Prior year encumbrances appropriated	1,014,187	1,014,187	
<b>Fund balances, June 30</b>	<b><u>\$5,865,574</u></b>	<b><u>\$8,106,745</u></b>	<b><u>\$2,241,171</u></b>

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



**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating revenues:</b>			
Tuition and fees	\$226,733		\$226,733
Sales/charges for services	638,414		638,414
Investment earnings		\$1,592	1,592
Other operating revenues		1,500	1,500
	<u>865,147</u>	<u>3,092</u>	<u>868,239</u>
<b>Operating expenses:</b>			
Personal services	587,658		587,658
Contract services	25,188		25,188
Materials and supplies	447,165		447,165
Depreciation	3,690		3,690
Other	7,491	4,500	11,991
	<u>1,071,192</u>	<u>4,500</u>	<u>1,075,692</u>
Operating loss	<u>(206,045)</u>	<u>(1,408)</u>	<u>(207,453)</u>
<b>Nonoperating revenues (expenses):</b>			
Operating grants	97,075		97,075
Federal commodities	49,351		49,351
Loss on sale of asset	(4,968)		(4,968)
Interest revenue	63		63
	<u>141,521</u>	<u></u>	<u>141,521</u>
Net loss before operating transfers	(64,524)	(1,408)	(65,932)
Operating transfers in	<u>100,000</u>	<u></u>	<u>100,000</u>
Net income (loss)	35,476	(1,408)	34,068
Retained earnings, July 1	<u>41,005</u>	<u>52,880</u>	<u>93,885</u>
<b>Retained earnings, June 30</b>	<b><u>\$76,481</u></b>	<b><u>\$51,472</u></b>	<b><u>\$127,953</u></b>

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

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Cash flows from operating activities:</b>			
Cash received from tuition and fees	\$222,828		\$222,828
Cash received from sales/service charges	638,414		638,414
Cash received from other operations		1,500	1,500
Cash payments for personal services	(572,065)		(572,065)
Cash payments for contract services	(25,188)		(25,188)
Cash payments for materials and supplies	(389,480)		(389,480)
Cash payments for other expenses	(7,491)	(4,500)	(11,991)
Net cash used in operating activities	<u>(132,982)</u>	<u>(3,000)</u>	<u>(135,982)</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from operating grants	99,451		99,451
Transfers in from other funds	100,000		100,000
Net cash provided by noncapital financing activities	<u>199,451</u>		<u>199,451</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	(2,049)		(2,049)
<b>Cash flows from investing activities:</b>			
Interest received	63	1,592	1,655
Net increase (decrease) in cash and cash equivalents	64,483	(1,408)	63,075
Cash and cash equivalents at beginning of year	98,287	52,880	151,167
<b>Cash and cash equivalents at end of year</b>	<b><u>\$162,770</u></b>	<b><u>\$51,472</u></b>	<b><u>\$214,242</u></b>

(Continued)

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Reconciliation of operating loss to net cash used in operating activities:</b>			
Operating loss	(\$206,045)	(\$1,408)	(\$207,453)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	3,690		3,690
Federal donated commodities	49,351		49,351
Interest reported as operating income		(1,592)	(1,592)
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	776		776
Increase in due to other governments	1,751		1,751
Increase in accounts payable	6,041		6,041
Increase in accrued wages and benefits	11,199		11,199
Increase in compensated absences payable	2,322		2,322
Increase in pension obligation payable	321		321
Decrease in deferred revenue	(2,388)		(2,388)
<b>Net cash used in operating activities</b>	<b><u>(\$132,982)</u></b>	<b><u>(\$3,000)</u></b>	<b><u>(\$135,982)</u></b>

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

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**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

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

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

The District ranks as the 164<sup>th</sup> largest by enrollment among the 705 public and community school districts in the State. It currently operates 4 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 124 non-certified and 230 certified full-time and part-time employees to provide services to approximately 2,889 students in grades K through 12 and various community groups.

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

The general-purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. 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". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Computer Association (NWOCA)

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

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)

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. The District paid \$59,857 to NWOCA during fiscal year 2002. Financial information can be obtained from the Four County Joint Vocational School, Michele M. Zeedyk, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

Penta Career Center

The career center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District. The School district did not make any payments to Penta Career Center during fiscal year 2002. Financial information can be obtained from the Penta County Career Center, Carrie Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551-4594.

Bay Area Council

The Bay Area Council was established in 1986 to carry out a cooperative program for the purchase of natural gas among boards of education located in Erie, Huron, Ottawa, Sandusky, Seneca, and Wood Counties. The Bay Area Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member boards of education. The Bay Area Council is governed by a Board of Directors. This Board is elected by an Assembly consisting of a representative from each participating school district. The District paid \$232,059 to Bay Area Council in fiscal year 2002 for utility services. Financial information can be obtained from the Erie County Educational Service Center, who serves as fiscal agent, 2902 Columbus Avenue, Sandusky, Ohio 44870.

**B. Fund Accounting**

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

GOVERNMENTAL FUNDS

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

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

**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds and nonexpendable trust fund.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the proprietary funds and nonexpendable trust fund.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)

**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 funds and the nonexpendable trust fund 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, 2002, but which are intended to finance fiscal 2003 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, 2002 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 § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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



**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)

resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

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

**D. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2002 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 2002.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated

**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)

resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interest loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. Certain funds did not complete the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted during fiscal 2002.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 11.

**E. Cash and Investments**

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

During 2002, investments included the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, federal agency securities, and a money market mutual fund.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with

**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)

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, 2002.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the Education Foundation special revenue fund, Food Service enterprise fund, and certain trust funds individually authorized by Board resolution. Interest revenue credited to the general fund during fiscal year 2002, amounted to \$313,581 which includes \$79,239 assigned from other funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the 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 fiscal year-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

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

**G. Prepaids**

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

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District has a policy of not capitalizing assets with a cost of less than \$500. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)

2. Proprietary and Nonexpendable Trust Funds

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

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

**I. Intergovernmental Revenues**

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

**Entitlements**

General Fund  
State Foundation Program  
State Property Tax Relief

Special Revenue Funds  
Auxiliary Services

Capital Projects Funds  
State Property Tax Relief

**Non-Reimbursable Grants**

Special Revenue Funds  
Teacher Development  
Boat Safety Education Program  
OneNet  
SchoolNet - Professional Development  
Management Information Systems  
Special Education Grants to States  
Teacher Quality Enhancement Grant  
Class Size Reduction  
Title I Grants to Local Educational Agencies  
Innovative Educational Program Strategies  
Eisenhower Professional Development Grant  
Safe and Drug Free Schools and Communities State Grant  
Ohio Reads  
Virtual Middle School  
Technology Literacy Challenge Fund Grant

**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)

Capital Projects Fund  
SchoolNet

**Reimbursable Grants**

General Fund  
Medical Assistance Program

Enterprise Funds  
National School Lunch Program  
National School Milk Program  
Adult Education

**J. Compensated Absences**

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

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

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

Accumulated vacation and severance liability of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long term obligations account group. Vacation and severance liability for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**K. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the proprietary funds prior to 2001. These assets are recorded at their fair market value on the date contributed and are not subject to repayment.

**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)

Capital contributions in 2002 have been recorded as revenues and reported as increases in retained earnings based on guidelines established by GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions".

**L. Long-Term Obligations**

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

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

**M. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepaids, tax revenue unavailable for appropriation, budget stabilization, and bus purchase allowance. 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. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**N. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.

**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)

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 2002 is presented in Note 5.

**O. 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.

**P. Estimates**

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

**Q. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. The District has also received state monies that are restricted for school bus purchase. Fund balance reserves have also been established. See Note 16 for details.

**R. 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 GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2002, the Title 1 fund had a deficit cash balance of \$12,616. The deficit occurred because funds were not advanced from the General Fund to finance the expenditures until reimbursements are received.

**B. Deficit Fund Balances**

Fund balances at June 30, 2002 included the following individual fund deficits:

**MAUMEE CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)

	Deficit Balance
<b>Special Revenue Funds</b>	
Teacher Development	(\$8,924)
Classroom Size Reduction	(21,363)
<b>Enterprise Funds</b>	
Food Service	(1,158)

These funds complied with State law which does not allow for a cash-basis deficit at year-end. These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The general fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. These deficits are the result of accruing wage, benefit and pension obligations in accordance with GAAP.

**C. Budgetary Noncompliance**

The following funds had expenditures plus encumbrances in excess of appropriations:

Budgeted Appropriations vs. Budgetary Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
<b>SPECIAL REVENUE FUND:</b>			
Special Levy	\$223,751	\$234,394	(\$10,643)
School Improvement Models		99	(99)
Auxiliary Services		502,543	(502,543)
Management Information System		15,887	(15,887)
Summer Intervention	9,500	12,265	(2,765)
Chapter 1 Financial Assistance	122,431	141,804	(19,373)
Drug Free School Grant	27,040	35,863	(8,823)
Telecom (E-Rate)	13,000	34,358	(21,358)
Miscellaneous Federal Grant	63,323	110,624	(47,301)
<b>CAPITAL PROJECTS FUND:</b>			
Permanent Improvement	379,512	984,133	(604,621)
<b>ENTERPRISE FUND:</b>			
Adult Education	102,352	109,732	(7,380)
<b>TRUST FUND:</b>			
Endowment	15,571	20,190	(4,619)

The following fund appropriations exceeded total estimated revenue:



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Budgeted Appropriations vs. Budgeted Receipts			
Fund Type	Appropriation Authority	Budgeted Receipts	Variance
<b>SPECIAL REVENUE FUND:</b>			
Teacher Development	\$19,289	\$5,634	(\$13,655)
Ohio Reads	53,000		(53,000)
Miscellaneous State Grant	60,000	2,281	(57,719)
NDEA Title II	11,067	919	(10,148)
Title VI-B	305,617	27,480	(278,137)
Chapter 1 - Financial Assistance	122,431		(122,431)
Chapter 2 Consolidation Federal Programs	30,676	7,112	(23,564)
Drug Free School Grant	27,040	7,127	(19,913)
Goals 2000	14,500		(14,500)
Reducing Class Size	40,599		(40,599)
Miscellaneous Federal Grant	63,323	16,296	(47,027)
<b>CAPITAL PROJECTS FUND:</b>			
SchoolNet	83,005	81,278	(1,727)
<b>ENTERPRISE FUND:</b>			
Food Service	993,860	988,509	(5,351)

**D. Reclassification of Trust Funds**

During fiscal year 2002, the District reclassified certain nonexpendable trust funds as expendable trust funds.

	Expendable Trust	Nonexpendable Trust
Fund Balance as Previously Reported	\$25,614	\$72,510
Reclassification of Trust Balances	19,630	(19,630)
Restated Fund Balance July 1, 2002	\$45,244	\$52,880
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$8,841	
Adjustment	(156)	
Restated Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$8,685	
Net income		\$1,845
Adjustment		156
Restated net income		\$2,001

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

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

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

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

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

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

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

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

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7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies

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

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$2,827,662 and the bank balance was \$3,465,864. . Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$2,727,662 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments: The District's investment is 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 uncollateralized 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 uncollateralized 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 are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category of Risk 2	Carrying Value	Fair Value
Federal agency securities	\$3,908,365	\$3,908,365	\$3,908,365
Not subject to categorization:			
Investment in STAR Ohio		2,461,594	2,461,594
Total Investments	\$3,908,365	\$6,369,959	\$6,369,959

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The federal agency securities have maturity dates of July 2, 2003, November 21, 2003, February 20, 2004, and March 4, 2005.

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

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

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$9,205,731	
Investments of the cash management pool:		
Federal agency securities	(3,908,365)	\$3,908,365
Investment in STAR Ohio	(2,461,594)	2,461,594
Cash on hand	(8,110)	
GASB Statement No. 3	\$2,827,662	\$6,369,959

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund balances at June 30, 2002, consist of the following individual interfund loans receivable and payable:

	Interfund Receivable	Interfund Payable
General Fund	\$25,000	
Special Revenue Fund		
Title I		\$25,000
Total	\$25,000	\$25,000

**B.** The following is a reconciliation of the District's operating transfers for fiscal year 2002:

	Transfers In	Transfers Out
General Fund		\$350,000
Special Revenue Fund		
Technology Grant	\$250,000	
Enterprise Fund		
Food Service	100,000	
Total	\$350,000	\$350,000

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**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 varying rates of true value.

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

The assessed value upon which the 2001 taxes were collected was \$514,118,048. Agricultural/residential and public utility/minerals real estate represented 46.54% or \$239,242,920 of this total; Commercial & industrial real estate represented 31.03% or \$159,530,090 of this total, public utility tangible represented 2.85% or \$14,662,940 of this total and general tangible property represented 19.58% or \$100,682,098 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$60.80 per \$1,000.00 of assessed valuation for operations and \$1.50 per \$1,000.00 of assessed valuation for permanent improvement.

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

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2002. 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.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30,

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2002 totaled \$246,242 in the general fund and \$86,518 in the Permanent Improvements capital projects fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants (to the extent such grants relate to the current fiscal year). Intergovernmental grants receivable have been presented as "Due from Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

General Fund:	
Taxes - current and delinquent	\$17,168,540
Accounts	3,605
Accrued interest	44,442
Interfund loan	25,000
Special Revenue Funds:	
Accounts	60
Due from other governments	132,402
Capital Projects Funds:	
Taxes - current and delinquent	442,374
Due from other governments	1,497,318

**NOTE 8 - FIXED ASSETS**

The general fixed assets account group has been restated as of July 1, 2001 due to errors and omissions.

<u>Asset Category</u>	<u>Balance 6/30/01</u>	<u>Increase (Decrease)</u>	<u>Balance 7/1/01</u>
Land/improvements	\$1,467,627	\$185,321	\$1,652,948
Buildings/improvements	8,384,879	(449,866)	7,935,013
Furniture/equipment	5,411,148	545,313	5,956,461
Vehicles	1,162,471	33,354	1,195,825
Total	<u>\$16,426,125</u>	<u>\$314,122</u>	<u>\$16,740,247</u>

A summary of the changes in the general fixed asset account group during the fiscal year follows:

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Asset Category	Balance 7/1/01	Increase	(Decrease)	Balance 6/30/02
Land/improvements	\$1,652,948			\$1,652,948
Buildings/improvements	7,935,013			7,935,013
Furniture/equipment	5,956,461	\$194,651	(\$10,633)	6,140,479
Vehicles	1,195,825			1,195,825
<b>Total</b>	<b>\$16,740,247</b>	<b>\$194,651</b>	<b>(\$10,633)</b>	<b>\$16,924,265</b>

A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture and equipment	\$267,815
Less: accumulated depreciation	<u>(195,025)</u>
Net fixed assets	<u><u>\$72,790</u></u>

**NOTE 9 - LONG-TERM DEBT**

- A.** During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation payable will ultimately be paid from the fund from which the employee is paid.

Asset Category	Balance 6/30/01	Increase	(Decrease)	Balance 6/30/02
Compensated absences	\$1,112,076	\$232,867	(\$182,935)	\$1,162,008
Pension obligation payable	<u>146,266</u>	<u>207,756</u>	<u>(146,266)</u>	<u>207,756</u>
<b>Total</b>	<b>\$1,258,342</b>	<b>\$440,623</b>	<b>(\$329,201)</b>	<b>\$1,369,764</b>

**B. Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$46,270,624 and an unvoted debt margin of \$514,118.

**NOTE 10 - RISK MANAGEMENT**

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

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured, to a limit of \$58,318,100.

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

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The District has liability insurance coverage limits of \$2,000,000 per claim and \$4,000,000 annual aggregate.

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from 2001.

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

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

The District maintains three enterprise funds to account for the operations of Food Service, Uniform School Supplies, and Adult Education Programs. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2002.

	Food Service	Uniform Supplies	Adult Education	Total
Operating revenue	\$638,414	\$101,138	\$125,595	\$865,147
Depreciation expense	3,690			3,690
Operating income/(loss)	(213,620)	(607)	8,182	(206,045)
Non-operating revenues:				
Donated federal commodities	49,351			49,351
Operating grants	97,075			97,075
Operating transfers in	100,000			100,000
Net income/(loss)	(72,099)	(607)	8,182	(64,524)
Net working capital	10,450	18,822	30,916	60,188
Total assets	105,190	24,372	112,177	241,739
Total liabilities	56,948	5,550	81,261	143,759
Contributed capital	21,499			21,499
Total equity	48,242	18,822	30,916	97,980
Encumbrances outstanding as of 6/30/02	430	1,565	1,884	3,879

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living



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adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2002; 5.46 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$343,222, \$432,720, and \$390,631, respectively; 77.14 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$98,009, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,243,713, \$1,838,529, and \$1,768,464, respectively; 82.5 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$217,659, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2002, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly

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Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by State statute. Both STRS and SERS are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$589,127 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, 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. For the District, the amount to fund health care benefits, including the surcharge, was \$228,915 for the fiscal year ended June 30, 2002.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$334,754 during the 2002 fiscal year.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison - 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);

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

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Capital Projects Funds
Budget basis	\$1,322,712	\$72,399	(\$300,670)
Net adjustment for revenue accruals	(827,988)	97,295	49,754
Net adjustment for expenditure accruals	(496,351)	(96,295)	617,743
Net adjustment for other sources/(uses)	(42,792)	(22,282)	
Adjustment for fund reclassification	(19,995)		
Adjustment for encumbrances	347,249	93,364	333,428
GAAP basis	\$282,835	\$144,481	\$700,255

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

**B. Litigation**

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

**C. School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

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The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**NOTE 16 - STATUTORY RESERVES**

The District is required by State law to set-aside certain (cash-basis) general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside cash balance as of July 1, 2002	(\$39,083)		\$121,957
Current year set-aside requirement	352,339	352,339	
Qualifying disbursements	(692,944)	(690,559)	
Total	(\$379,688)	(\$338,220)	\$121,957
Set-aside balance carried forward to FY 2003	(\$379,688)		\$121,957
Cash Balance carried forward to FY 2003			\$121,957

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

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

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of restricted assets at June 30, 2002, follows:

Amount restricted for budget stabilization	\$121,957
Amount restricted for school bus purchases	128,218
Total	\$250,175

**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, to date, granted incentives to six companies within the CRA. The tax incentives will result in a loss of local tax revenue to the District through 2008, which, the District's administrative believes, could cumulatively total over \$1 million.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)

**NOTE 18 - OUTSTANDING CONTRACTUAL COMMITMENTS**

At June 30, 2002, the District had the following outstanding contractual commitments:

<u>Project</u>	<u>Vendor</u>	<u>Contract Amount</u>
Summer Paving Project	Atlas Paving	\$226,803
Window Replacement	Spieker Company	105,700
Science Room Ventilation	Helm & Associates	25,300
Security System	Habitec Security	105,880
Total		<u><u>\$463,683</u></u>

There had been no payments made on these contracts as of June 30, 2002.

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**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Donation		10.550
National School Lunch Program	LLP1-2001 LLP4-2001 LLP4-2002	10.555
Total - National School Lunch Program		
Total U.S. Department of Agriculture - Nutrition Cluster		
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education:</i>		
Special Education Grants to States (IDEA Part B)	6BSF-2001-P 6BSF-2002-P	84.027
Total - Special Education Grants to States (IDEA Part B)		
Teacher Quality Enhancement Grant		84.336
Eisenhower Professional Development State Grants	MSS1-2001 MSS1-2002	84.281
Total - Eisenhower Professional Development State Grants		
Class Size Reduction	CRS1-2001 CRS1-2002	84.340
Total - Class Size Reduction		
Technology Literacy Challenge Fund Grants	TFV2-2000	84.318
Goals 2000	G2S2-1999	84.276
Title 1 Grants to Local Educational Agencies	C1S1 2002	84.010
Innovative Educational Program Strategies	C2S1 - 2001 C2S1 - 2002	84.298
Total - Innovative Educational Program Strategies		
Safe and Drug Free Schools and Communities State Grant	DRS1-2001 DRS1-2002	84.186
Total - Safe and Drug Free Schools and Communities State Grant		
Total Department of Education		
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
<i>Passed Through Ohio Department of Education:</i>		
Medical Assistance Program		93.778
<b>Totals</b>		

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



<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$49,351		\$49,351
\$1,434		\$1,434	
12,411		12,411	
82,104		82,104	
<u>95,949</u>		<u>95,949</u>	
<b>95,949</b>	<b>49,351</b>	<b>95,949</b>	<b>49,351</b>
		27,971	
243,305		220,777	
<u>243,305</u>		<u>248,748</u>	
14,239		13,001	
		3,069	
9,133		1,750	
<u>9,133</u>		<u>4,819</u>	
23,556		33,645	
40,526		40,526	
<u>64,082</u>		<u>74,171</u>	
65,000		72,868	
		985	
104,105		141,721	
(2,718)		4,173	
6,058		6,278	
<u>3,340</u>		<u>10,451</u>	
5,296		12,423	
28,199		23,440	
<u>33,495</u>		<u>35,863</u>	
<b>536,699</b>		<b>602,627</b>	
20,983		20,983	
<u>\$653,631</u>	<u>\$49,351</u>	<u>\$719,559</u>	<u>\$49,351</u>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2002**

**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**

Non-monetary 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, 2002, 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.



## **Auditor of State Betty Montgomery**

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

Maumee City School District  
Lucas County  
2345 Detroit Ave.  
Maumee, OH 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, 2002, and have issued our report thereon dated March 28, 2003, wherein we noted restatements were made for certain trust funds as nonexpendable trust funds.. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the 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 as items 2002-10148-001 and 2002-10148-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 28, 2003.

#### **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 March 28, 2003.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 28, 2003



## Auditor of State Betty Montgomery

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

Maumee City School District  
Lucas County  
2345 Detroit Ave.  
Maumee, OH 43537-3799

To the Board of Education:

#### Compliance

We have audited the compliance of Maumee City School District, Lucas County (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, 2002. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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 its major federal program for the year ended June 30, 2002.

#### 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.

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Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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 audit committee, management, Board of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 28, 2003

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2002**

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

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

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

**FINDING NUMBER 2002-10148-001**

Ohio Revised Code § 5705.39 prohibits the total appropriation from each fund from exceeding the total estimated revenue. The following funds appropriations exceeded the amended certificate of estimated resources at the fund level as of June 30, 2002 in the following amounts:

**FINDING NUMBER 2002-10148-001  
 (Continued)**

Budgeted Appropriations vs. Budgeted Receipts			
Fund Type	Appropriation Authority	Budgeted Receipts	Variance
<b>SPECIAL REVENUE FUND:</b>			
Teacher Development	\$19,289	\$5,634	(\$13,655)
Ohio Reads	53,000		(53,000)
Miscellaneous State Grant	60,000	2,281	(57,719)
NDEA Title II	11,067	919	(10,148)
Title VI-B	305,617	27,480	(278,137)
Chapter 1 - Financial Assistance	122,431		(122,431)
Chapter 2 Consolidation Federal Programs	30,676	7,112	(23,564)
Drug Free School Grant	27,040	7,127	(19,913)
Goals 2000	14,500		(14,500)
Reducing Class Size	40,599		(40,599)
Miscellaneous Federal Grant	63,323	16,296	(47,027)
<b>CAPITAL PROJECTS FUND:</b>			
SchoolNet	83,005	81,278	(1,727)
<b>ENTERPRISE FUND:</b>			
Food Service	993,860	988,509	(5,351)

The failure to limit appropriations to the amount certified on the certificate of estimated resources could allow expenditures to exceed available resources and create deficit fund balances. We recommend the Treasurer monitor appropriations to ensure appropriations do not exceed estimated revenues.

**FINDING NUMBER 2002-10148-001**

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Expenditures plus encumbrances exceeded appropriations at the legal level of control for the following funds:



**FINDING NUMBER 2002-10148-002  
 (Continued)**

Budgeted Appropriations vs. Budgetary Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
<b>SPECIAL REVENUE FUND:</b>			
Special Levy	\$223,751	\$234,394	(\$10,643)
School Improvement Models		99	(99)
Auxiliary Services		502,543	(502,543)
Management Information System		15,887	(15,887)
Summer Intervention	9,500	12,265	(2,765)
Chapter 1 Financial Assistance	122,431	141,804	(19,373)
Drug Free School Grant	27,040	35,863	(8,823)
Telecom (E-Rate)	13,000	34,358	(21,358)
Miscellaneous Federal Grant	63,323	110,624	(47,301)
<b>CAPITAL PROJECTS FUND:</b>			
Permanent Improvement	379,512	984,133	(604,621)
<b>ENTERPRISE FUND:</b>			
Adult Education	102,352	109,732	(7,380)
<b>TRUST FUND:</b>			
Endowment	15,571	20,190	(4,619)

In addition, expenditures exceeded appropriation in the District Managed Activity, SchoolNet Professional Development, Ohio Reads, Miscellaneous State Grant, Food Service and Special Trust Funds throughout the fiscal year.

The failure to limit spending to only those amounts appropriated by the Board could allow expenditures to exceed available resources and create deficit fund balances. We recommend the Board monitor appropriations throughout the year to ensure all expenditures and encumbrances have been appropriated.

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





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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Columbus, Ohio 43216-1140  
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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 8, 2003**