



**Auditor of State
Betty Montgomery**

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	19
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund	24
Statement of Fiduciary Net Assets - Fiduciary Funds	26
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	27
Notes to the Basic Financial Statements	29
Schedule of Federal Awards Expenditures	64
Notes to the Schedule of Federal Awards Expenditures.....	68
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	69
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	71
Schedule of Findings.....	73
Schedule of Prior Audit Findings	75

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

Maumee City School District
Lucas County
2345 Detroit Avenue
Maumee, Ohio 43537-3712

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Maumee City School District, Lucas County, (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Maumee City School District, Lucas County, Ohio, as of June 30, 2003, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis— for State and Local Governments* and changed the capital asset threshold amount.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2004, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

May 21, 2004

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

The discussion and analysis of the Maumee City School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets of governmental activities decreased \$177,955 which represents a 1.48 percent decrease from 2002.
- General revenues accounted for \$22,686,492 in revenue or 81.49 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,157,206 or 11.34 percent of total revenues of \$27,838,984. The District reported a \$1,995,286 gain on sale of land which is reported as a special item, and totals 7.17 percent of total revenues.
- The District had \$28,016,939 in expenses related to governmental activities; \$3,157,206 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The District's two major governmental funds, the general fund and the building fund, had \$64,788,239 in revenues and other financing sources and \$24,499,337 in expenditures and other financing uses. The fund balance of the major governmental funds increased from \$4,276,054 to \$47,022,636.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District has two major funds: the general fund and building fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

Recall the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2003.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

Net Assets	
	<u>Governmental Activities 2003</u>
Assets	
Current and other assets	\$ 74,527,768
Capital assets	<u>4,004,904</u>
<i>Total assets</i>	<u>78,532,672</u>
Liabilities	
Current liabilities	23,046,993
Long-term liabilities	<u>43,638,937</u>
<i>Total liabilities</i>	<u>66,685,930</u>
Net Assets	
Invested in capital assets, net of related debt	3,964,904
Restricted	4,436,494
Unrestricted	<u>3,445,344</u>
<i>Total net assets</i>	<u>\$ 11,846,742</u>

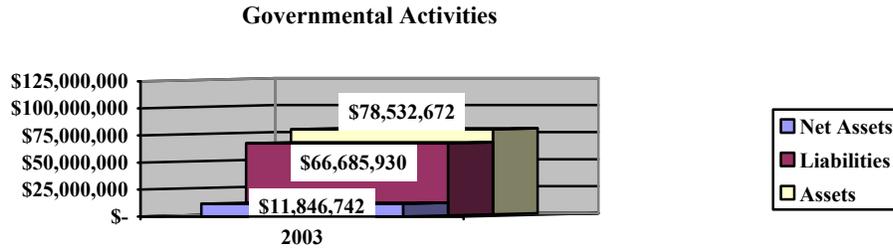
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's assets exceeded liabilities by \$11,846,742.

At year-end, capital assets represented 5.10 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2003, were \$3,964,904. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$4,436,494, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$3,721,871 is restricted for capital projects.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**



The table below shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets	
	<u>Governmental Activities 2003</u>
Revenues	
Program revenues:	
Charges for services and sales	\$ 1,655,802
Operating grants and contributions	1,458,437
Capital grants and contributions	42,967
General revenues:	
Property taxes	16,757,359
Grants and entitlements	5,503,970
Investment earnings	410,638
Other	14,525
Special item	<u>1,995,286</u>
<i>Total revenues</i>	<u>27,838,984</u>

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

Change in Net Assets
(Continued)

	Governmental Activities <u>2003</u>
Expenses	
Program expenses:	
Instruction:	
Regular	\$ 13,448,749
Special	2,556,186
Vocational	425,537
Other	202,090
Support services:	
Pupil	1,274,952
Instructional staff	738,606
Board of education	62,298
Administration	2,129,872
Fiscal	498,130
Business	167,619
Operations and maintenance	3,123,342
Pupil transportation	709,597
Central	221,839
Operations of non-instructional services	29,559
Food service operations	948,712
Extracurricular activities	914,854
Intergovernmental-pass through	526,159
Interest and fiscal charges	<u>38,838</u>
 <i>Total</i>	 <u>28,016,939</u>
 <i>Decrease in net assets</i>	 <u><u>\$ (177,955)</u></u>

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Governmental Activities

Net assets of the District's governmental activities decreased by \$177,955. Total governmental expenses of \$28,016,939 were offset by program revenues of \$3,157,206 and general revenues of \$22,686,492. Program revenues supported 11.27 percent of the total governmental expenses.

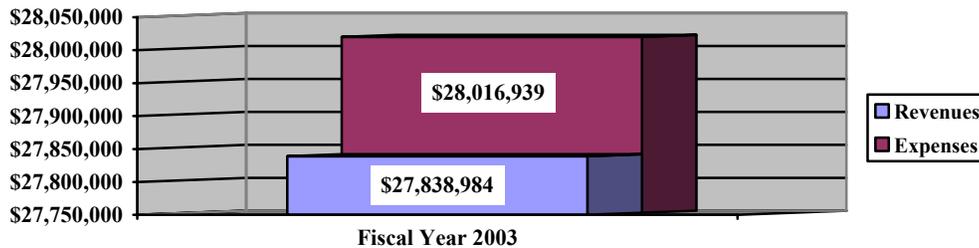
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These two revenue sources represent 79.96 percent of total governmental revenue. Real estate property is reappraised every six years. As a result of the latest update by Lucas County in 2003, the District's tax valuation increased by 4.56 percent on average.

Voters approved a \$42,000,000 bond levy in May 2003. This levy, which generates approximately \$2,816,750 per year for 28 years, is expected to provide revenue for debt service through fiscal year 2031.

The District's financial condition has remained strong throughout the years, primarily due to the Arrowhead Industrial Park, a business community predominately located within the boundaries of the District. Unfortunately, with increased assessed valuation locally, the District will be receiving a reduction in state support. The District received a cut in foundation funds during fiscal year 2003 due to state budget reductions. The state per pupil increase of 2.2 percent per year in fiscal years 2004 and 2005 will not be great enough for the District to overcome the foundation formula charge-off increases due to assessed valuation changes. The District is projecting no additional state funding in future years.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2003.

Governmental Activities - Revenues and Expenses



**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

Governmental Activities		
	Total Cost of Services 2003	Net Cost of Services 2003
	2003	2003
Program expenses		
Instruction:		
Regular	\$ 13,448,749	\$ 13,006,157
Special	2,556,186	2,123,921
Vocational	425,537	425,537
Other	202,090	82,724
Support services:		
Pupil	1,274,952	1,274,952
Instructional staff	738,606	610,992
Board of education	62,298	62,298
Administration	2,129,872	2,129,710
Fiscal	498,130	487,413
Business	167,619	(692)
Operations and maintenance	3,123,342	3,081,907
Pupil transportation	709,597	709,597
Central	221,839	176,920
Operations of non-instructional services	29,559	25,800
Food service operations	948,712	77,884
Extracurricular activities	914,854	573,964
Intergovernmental pass-through	526,159	(28,189)
Interest and fiscal charges	38,838	38,838
	2003	2003
<i>Total</i>	\$ 28,016,939	\$ 24,859,733

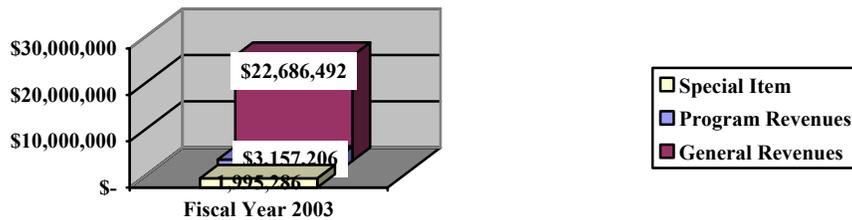
**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

The dependence upon tax, state foundation, and other general revenues for governmental activities is apparent, 94.02 percent of instruction activities are supported through taxes, state foundation, and other general revenues. For all governmental activities, general revenue support is 88.73 percent. The District's taxpayers, as a whole, are by far the primary support for District students.

The graph below presents the District's governmental activities revenue for fiscal year 2003.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$49,197,345, which is higher than last year's total of \$6,413,116. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

	Fund Balance <u>June 30, 2003</u>	Restated Fund Balance <u>June 30, 2002</u>	<u>Increase</u>
General	\$ 2,477,349	\$ 4,276,054	\$ (1,798,705)
Building	44,545,287	-	44,545,287
Other Governmental	<u>2,174,709</u>	<u>2,137,062</u>	<u>37,647</u>
Total	<u>\$ 49,197,345</u>	<u>\$ 6,413,116</u>	<u>\$ 42,784,229</u>

General Fund

During fiscal year 2003, the District's general fund balance decreased by \$1,798,705. The table that follows assists in illustrating the financial activities of the general fund.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
Revenues			
Taxes	\$ 16,681,862	\$ 17,331,509	(3.75)%
Tuition	159,376	202,771	(21.40)%
Earnings on investments	213,697	313,581	(31.85)%
Intergovernmental	5,461,423	5,689,832	(4.01)%
Other revenues	109,247	160,027	(31.73)%
<i>Total</i>	<u>\$ 22,625,605</u>	<u>\$ 23,697,720</u>	(4.52)%
Expenditures			
Instruction	\$ 15,628,164	\$ 14,894,067	4.93 %
Support services	8,110,320	7,483,643	8.37 %
Operation of non-instructional services	1,818	12,162	(85.05)%
Extracurricular activities	621,226	603,571	2.93 %
Facilities acquisition and construction	-	73,819	(100.00)%
<i>Total</i>	<u>\$ 24,361,528</u>	<u>\$ 23,067,262</u>	5.61 %

General Fund Budgeting Highlights

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

During the course of fiscal year 2003, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources of \$23,417,330 were \$38,446 lower than the original budgeted revenues estimate of \$23,455,776. Actual revenues and other financing sources for fiscal 2003 were \$23,154,198 which was \$263,132 less than the final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$24,116,056 were increased \$1,117,983 to \$25,234,039 in the final budget. The actual budget basis expenditures for fiscal year 2003 totaled \$24,420,641, which was \$813,398 less than the final budget appropriations.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Building

During fiscal year 2003, the District's building fund balance increased \$44,545,287 due to the issuance of bond anticipation notes. The notes will be used to finance various district building projects. The table that follows assists in illustrating the financial activities of the building fund:

	2003 Amount	2002 Amount	Increase
Revenues			
Earnings on investments	\$ 154,596	\$ -	\$ 154,596
<i>Total</i>	<u>\$ 154,596</u>	<u>\$ -</u>	<u>\$ 154,596</u>
Expenditures			
Facilities acquisition and construction	\$ 65,309	\$ -	\$ 65,309
<i>Total</i>	<u>\$ 65,309</u>	<u>\$ -</u>	<u>\$ 65,309</u>
Other Financing Sources			
Proceeds of notes	\$ 42,000,000	\$ -	\$ 42,000,000
Proceeds from sale of capital assets	6,000	-	6,000
<i>Total</i>	<u>\$ 42,006,000</u>	<u>\$ -</u>	<u>\$ 42,006,000</u>

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the District had \$4,004,904 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2003 balances compared to 2002:

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2003	2002
Land	\$ 698,989	\$ 1,153,703
Construction in progress	40,000	-
Land improvements	413,589	196,865
Buildings and improvements	2,139,102	2,203,288
Furniture and equipment	507,949	537,312
Vehicles	205,275	246,672
Total	<u>\$ 4,004,904</u>	<u>\$ 4,337,840</u>

The primary decrease occurred in land. The District sold Rolf Park to the City of Maumee for a net gain of \$1,995,286, which is presented on the financial statements as a special item. See Note 8 to the basic financial statements for additional capital asset information.

Debt Administration

At June 30, 2003, the District had \$42,000,000 in bond anticipation notes outstanding. Of this total, \$42,000,000 is due within one year. See Note 11 to the basic financial statements for additional information. The following table summarizes the bonds outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	2003	2002
General Obligation Notes:		
Bond anticipation notes	\$ 42,000,000	\$ -
Total	<u>\$ 42,000,000</u>	<u>\$ -</u>

The bond anticipation notes were issued on June 12, 2003. These notes are scheduled to mature on October 28, 2003 and bear an interest rate of 2.00 percent.

At June 30, 2003, the District's overall legal debt margin was \$46,338,916 with an unvoted debt margin of \$513,965. The District maintains an SP1+ note rating.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Current Related Financial Activities

As the preceding information shows, the District relies heavily on property (real and personal tangible) taxes and the state foundation program. An increase in property tax revenue is expected in fiscal year 2004 due to the increased tax valuation caused by the triennial valuation update and the passage of additional operating levies in May of 2003. This additional tax revenue, along with the District's cash balance, will provide the District with the necessary funds to meet its operating expenses in fiscal year 2004.

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. Overall, the District performed at an "Effective" rating as determined by the State of Ohio, which is measured by a defined set of proficiency criteria. Our most recent state report card shows the District's students achieving 17 of 22 state indicators.

State law retards the growth of income generated by local levies rendering revenue relatively constant. This lack of revenue growth forces the District to go to the voters periodically to ask for additional financial support. In May of 2003, the community passed a \$42 million bond issue and a 4.2 mill operating levy.

A challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the state has directed its tax revenue growth toward school districts with little property tax wealth. On May 16, 2003, the Ohio Supreme Court emphatically clarified that jurisdiction of the DeRolph case had ended. The Ohio Coalition for Equity and Adequacy of School Funding filed a petition with the U.S. Supreme Court for permission to file an appeal.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Paul Brotzki, Treasurer, Maumee City School District, 2345 Detroit Avenue, Maumee, Ohio 43537.

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**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2003**

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 20,244,482
Investments	32,093,381
Receivables:	
Taxes	20,429,775
Accounts	24,029
Intergovernmental	1,374,535
Accrued interest	246,966
Prepayments	93,089
Materials and supplies inventory	21,511
Capital assets:	
Land	698,989
Construction in progress	40,000
Depreciable capital assets, net	<u>3,265,915</u>
Capital assets, net	<u>4,004,904</u>
<i>Total assets</i>	<u>78,532,672</u>
Liabilities	
Accounts payable	197,823
Accrued wages and benefits	2,818,960
Pension obligation payable	597,789
Intergovernmental payable	105,173
Deferred revenue	19,285,857
Accrued interest payable	41,391
Long-term liabilities:	
Due within one year	357,495
Due within more than one year	<u>43,281,442</u>
<i>Total liabilities</i>	<u>66,685,930</u>
Net Assets	
Invested in capital assets, net of related debt	3,964,904
Restricted for:	
Capital projects	3,721,871
Debt service	82,066
Set Aside	121,957
Other purposes	510,600
Unrestricted	<u>3,445,344</u>
<i>Total net assets</i>	<u><u>\$ 11,846,742</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities					
Instruction:					
Regular	\$ 13,448,749	\$ 292,951	\$ 106,674	\$ 42,967	\$ (13,006,157)
Special	2,556,186	28,115	404,150	-	(2,123,921)
Vocational	425,537	-	-	-	(425,537)
Other	202,090	119,366	-	-	(82,724)
Support services:					
Pupil	1,274,952	-	-	-	(1,274,952)
Instructional staff	738,606	-	127,614	-	(610,992)
Board of education	62,298	-	-	-	(62,298)
Administration	2,129,872	-	162	-	(2,129,710)
Fiscal	498,130	-	10,717	-	(487,413)
Business	167,619	168,311	-	-	692
Operations and maintenance	3,123,342	16,688	24,747	-	(3,081,907)
Pupil transportation	709,597	-	-	-	(709,597)
Central	221,839	-	44,919	-	(176,920)
Operation of non-instructional services	29,559	-	3,759	-	(25,800)
Food service operations	948,712	689,481	181,347	-	(77,884)
Extracurricular activities	914,854	340,890	-	-	(573,964)
Intergovernmental	526,159	-	554,348	-	28,189
Interest and fiscal charges	38,838	-	-	-	(38,838)
<i>Total governmental activities</i>	\$ 28,016,939	\$ 1,655,802	\$ 1,458,437	\$ 42,967	(24,859,733)
General Revenues:					
Property taxes levied for:					
General purposes					16,349,229
Capital outlay					408,130
Grants and entitlements not restricted to specific programs					5,503,970
Investment earnings					410,638
Miscellaneous					14,525
<i>Total general revenues</i>					22,686,492
Special Item:					
Gain on sale of land					1,995,286
<i>Total general revenues and special item</i>					24,681,778
Change in net assets					(177,955)
<i>Net assets at beginning of year (restated)</i>					12,024,697
<i>Net assets at end of year</i>					\$ 11,846,742

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003**

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in pooled cash and cash equivalents	\$ 5,470,251	\$ 12,282,895	\$ 2,215,912	\$ 19,969,058
Investments	-	32,093,381	-	32,093,381
Receivables:				
Taxes	19,907,100	-	522,675	20,429,775
Accounts	1,786	-	22,243	24,029
Intergovernmental	-	-	1,374,535	1,374,535
Accrued interest	36,623	210,343	-	246,966
Prepayments	93,089	-	-	93,089
Materials and supplies inventory	15,332	-	6,179	21,511
Restricted assets:				
Equity in pooled cash and cash equivalents	275,424	-	-	275,424
<i>Total assets</i>	<u>\$ 25,799,605</u>	<u>\$ 44,586,619</u>	<u>\$ 4,141,544</u>	<u>\$ 74,527,768</u>
Liabilities				
Accounts payable	\$ 125,717	\$ 25,309	\$ 46,797	\$ 197,823
Accrued wages and benefits	2,798,229	-	20,731	2,818,960
Compensated absences payable	184,694	-	-	184,694
Pension obligation payable	357,594	-	12,167	369,761
Intergovernmental payable	101,940	-	3,233	105,173
Deferred revenue	19,754,082	16,023	1,883,907	21,654,012
<i>Total liabilities</i>	<u>23,322,256</u>	<u>41,332</u>	<u>1,966,835</u>	<u>25,330,423</u>
Fund Balances				
Reserved for encumbrances	78,596	-	149,451	228,047
Reserved for budget stabilization	121,957	-	-	121,957
Reserved for school bus purchases	153,467	-	-	153,467
Reserved for materials and supplies inventory	15,332	-	6,179	21,511
Reserved for property tax unavailable for appropriation	176,169	-	61,897	238,066
Reserved for prepayments	93,089	-	-	93,089
Unreserved, undesignated, reported in:				
General fund	1,838,739	-	-	1,838,739
Special revenue funds	-	-	698,532	698,532
Debt service fund	-	-	82,066	82,066
Capital projects funds	-	44,545,287	1,176,584	45,721,871
<i>Total fund balances</i>	<u>2,477,349</u>	<u>44,545,287</u>	<u>2,174,709</u>	<u>49,197,345</u>
<i>Total liabilities and fund balances</i>	<u>\$ 25,799,605</u>	<u>\$ 44,586,619</u>	<u>\$ 4,141,544</u>	<u>\$ 74,527,768</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003

Total governmental fund balances \$ 49,197,345

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds 4,004,904

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds.

Taxes	\$ 940,974
Accrued interest	52,646
Intergovernmental	1,374,535
	2,368,155

Total 2,368,155

Long-term liabilities, including notes payable, are not
due and payable in the current period and therefore
are not reported in the funds.

General obligation notes	42,000,000
Unamortized premium on general obligation notes	71,304
Compensated absences	1,268,774
Pension obligation payable	228,028
Capital lease obligation	114,165
Accrued interest payable	41,391
	(43,723,662)

Total (43,723,662)

Net assets of governmental activities \$ 11,846,742

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
From local sources:				
Taxes	\$ 16,681,862	\$ -	\$ 416,632	\$ 17,098,494
Tuition	159,376	-	119,366	278,742
Charges for services	-	-	686,624	686,624
Earnings on investments	213,697	154,596	382	368,675
Extracurricular	-	-	348,829	348,829
Other local revenues	108,093	-	220,927	329,020
Other revenue	1,154	-	191,657	192,811
Intergovernmental - State	5,441,839	-	727,643	6,169,482
Intergovernmental - Federal	19,584	-	743,619	763,203
<i>Total revenue</i>	<u>22,625,605</u>	<u>154,596</u>	<u>3,455,679</u>	<u>26,235,880</u>
Expenditures				
Current:				
Instruction:				
Regular	12,990,483	-	381,889	13,372,372
Special	2,099,194	-	432,292	2,531,486
Vocational	428,892	-	-	428,892
Other	109,595	-	91,103	200,698
Support Services:				
Pupil	1,247,099	-	-	1,247,099
Instructional staff	484,404	-	245,703	730,107
Board of education	60,893	-	-	60,893
Administration	2,085,278	-	165	2,085,443
Fiscal	490,774	-	7,412	498,186
Business	51,996	-	115,623	167,619
Operations and maintenance	2,741,450	-	40,834	2,782,284
Pupil transportation	774,014	-	-	774,014
Central	174,412	-	44,117	218,529
Operation of non-instructional services	1,818	-	9,206	11,024
Food service operations	-	-	865,874	865,874
Extracurricular activities	621,226	-	274,457	895,683
Intergovernmental	-	-	526,159	526,159
Facilities acquisition and construction	-	65,309	416,045	481,354
Debt service:				
Principal retirement	-	-	113,510	113,510
Interest and fiscal charges	-	-	8,143	8,143
<i>Total expenditures</i>	<u>24,361,528</u>	<u>65,309</u>	<u>3,572,532</u>	<u>27,999,369</u>
<i>Excess of revenues under expenditures</i>	<u>(1,735,923)</u>	<u>89,287</u>	<u>(116,853)</u>	<u>(1,763,489)</u>

(Continued)

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses)				
Premium on sale of notes	-	-	82,000	82,000
Proceeds of notes	-	42,000,000	-	42,000,000
Proceeds from sale of capital assets	2,038	6,000	-	8,038
Transfers in	-	-	72,500	72,500
Transfers (out)	(72,500)	-	-	(72,500)
<i>Total other financing sources (uses)</i>	<u>(70,462)</u>	<u>42,006,000</u>	<u>154,500</u>	<u>42,090,038</u>
Special item:				
Proceeds from sale of land	-	2,450,000	-	2,450,000
<i>Net change in fund balances</i>	(1,806,385)	44,545,287	37,647	42,776,549
<i>Fund balances at beginning of year (restated)</i>	4,276,054	-	2,137,062	6,413,116
Increase in reserve for inventory	7,680	-	-	7,680
<i>Fund balances at end of year</i>	<u>\$ 2,477,349</u>	<u>\$ 44,545,287</u>	<u>\$ 2,174,709</u>	<u>\$ 49,197,345</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Net change in fund balances - total governmental funds	\$ 42,776,549
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.	139,884
Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(472,820)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.	7,680
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(455,709)
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	113,510
Proceeds of notes are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.	(42,000,000)
Premiums on debt issuances are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.	(71,304)
In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.	(41,391)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(174,354)
<i>Change in net assets of governmental activities</i>	<u><u>\$ (177,955)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)**

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues				
From local sources:				
Taxes	\$ 17,467,129	\$ 17,438,499	\$ 17,061,481	\$ (377,018)
Tuition	161,602	161,337	159,376	(1,961)
Earnings on investments	272,186	271,740	268,437	(3,303)
Other local revenues	89,497	89,350	109,740	20,390
Other revenue	1,169	1,167	1,154	(13)
Intergovernmental - State	5,350,456	5,341,686	5,441,839	100,153
Intergovernmental - Federal	20,032	19,999	19,756	(243)
<i>Total revenue</i>	<u>23,362,071</u>	<u>23,323,778</u>	<u>23,061,783</u>	<u>(261,995)</u>
Expenditures				
Current:				
Instruction:				
Regular	12,585,750	12,893,161	12,907,862	(14,701)
Special	2,078,254	2,012,199	2,073,613	(61,414)
Vocational	435,248	438,048	429,413	8,635
Other	119,500	113,500	113,083	417
Support Services:				
Pupil	1,137,960	1,244,356	1,230,196	14,160
Instructional staff	477,433	475,074	447,004	28,070
Board of education	82,283	93,183	73,127	20,056
Administration	2,144,924	2,259,667	2,133,309	126,358
Fiscal	496,051	583,601	510,185	73,416
Business	58,663	58,413	58,623	(210)
Operations and maintenance	3,020,905	3,057,440	2,812,995	244,445
Pupil transportation	791,147	826,941	746,063	80,878
Central	142,000	187,000	174,470	12,530
Operation of non-instructional services	1,000	2,457	1,813	644
Extracurricular activities	500,285	634,346	634,478	(132)
Facilities acquisition and construction	39,653	39,653	1,907	37,746
<i>Total expenditures</i>	<u>24,111,056</u>	<u>24,919,039</u>	<u>24,348,141</u>	<u>570,898</u>
<i>Excess of revenues over (under) expenditures</i>	<u>(748,985)</u>	<u>(1,595,261)</u>	<u>(1,286,358)</u>	<u>308,903</u>

(Continued)

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses)				
Refund of prior year expenditure	66,290	66,181	65,377	(804)
Transfers (out)	-	(310,000)	(72,500)	237,500
Advances in	25,349	25,308	25,000	(308)
Advances (out)	(5,000)	(5,000)	-	5,000
Proceeds from sale of capital assets	2,066	2,063	2,038	(25)
<i>Total other financing sources (uses)</i>	<u>88,705</u>	<u>(221,448)</u>	<u>19,915</u>	<u>241,363</u>
<i>Net change in fund balance</i>	(660,280)	(1,816,709)	(1,266,443)	550,266
<i>Fund balance at beginning of year (restated)</i>	6,583,226	6,583,226	6,583,226	-
Prior year encumbrances appropriated	<u>347,249</u>	<u>347,249</u>	<u>347,249</u>	<u>-</u>
<i>Fund balance at end of year</i>	<u>\$ 6,270,195</u>	<u>\$ 5,113,766</u>	<u>\$ 5,664,032</u>	<u>\$ 550,266</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003**

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Equity in pooled cash and cash equivalents	\$ 96,733	\$ 35,280
<i>Total assets</i>	<u>96,733</u>	<u>35,280</u>
Liabilities		
Accounts payable	8,086	5,968
Due to students	<u>-</u>	<u>29,312</u>
<i>Total liabilities</i>	<u>8,086</u>	<u>\$ 35,280</u>
Net Assets		
Held in trust for scholarships	<u>88,647</u>	
<i>Total net assets</i>	<u>\$ 96,733</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Private Purpose Trust
	Scholarship
Additions	
Interest	\$ 1,644
Gifts and contributions	32,208
<i>Total additions</i>	33,852
Deductions:	
Scholarships awarded	37,763
<i>Change in net assets</i>	(3,911)
<i>Net assets at beginning of year</i>	92,558
<i>Net assets at end of year</i>	\$ 88,647

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District ranks as the 166th largest by enrollment among the 740 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 233 certified full-time and part-time employees to provide services to approximately 2,909 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements 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's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "*The Financial Reporting Entity*". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic 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, preschool 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 organizations' government 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 have access to the

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATION

Northwest Ohio Computer Association (NWOCA)

The School District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of education entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$290,577. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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 District did not make any payments to Penta Career Center during fiscal year 2003. Financial information can be obtained from the Penta 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 \$152,852 to Bay Area Council in fiscal year 2003 for utility services. Financial information can be obtained from the Erie-Huron-Ottawa Education Service Center, who serves as fiscal agent, 2902 Columbus Avenue, Sandusky, Ohio 44870.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

Building Fund - This fund used to account for monies received and expended in connection with the renovation and construction of District buildings.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of 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 an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

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

1. Prior to January 15 of the preceding year, 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 express 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 Certificated 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 2003.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2003. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

During fiscal year 2003, investments were limited to a U.S. Government money market mutual fund, federal agency securities, and investments in the State Asset Treasury Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

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 special revenue fund, and certain trust funds individually authorized by Board resolution. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$213,697, which includes \$163,263 assigned from other funds.

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

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

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

H. Capital Assets

General capital assets are those related to government activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District increased its capitalization threshold from \$500 to \$2,000 for its general capital assets during fiscal 2003. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land improvements	5 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 20 years

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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 or greater with at least twenty-two years of service or any employee age sixty with five 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 June 30, 2003, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Notes are recognized as a liability on the fund financial statements when due.

K. Fund Reserves

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, prepayments, tax advance unavailable

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

for appropriation, budget stabilization, and bus purchase allowance. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

N. Estimates

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

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. Fund balance reserves have also been established. See Note 16 for details.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basis financial statements.

Q. Parochial Schools

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2003, the District incurred a transaction that would be classified as a special item. The special item relates to the sale of Rolf Park to the City of Maumee. This gain is reflected in the Statement of Activities.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2003, the District has implemented GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", GASB Statement No. 37, "*Basic Financial Statements for State and Local Governments: Omnibus*", GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*", GASB Statement No. 41, "*Budgetary Comparison Schedule - Perspective Differences*", and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*". At June 30,

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

2002, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance

Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. Certain funds previously reported as enterprise funds have been reclassified and are now part of the other nonmajor governmental funds. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002.

The fund reclassification and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

	<u>General</u>	<u>Building</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance at				
June 30, 2002	\$ 4,363,912	\$ -	\$ 1,957,218	\$ 6,321,130
Fund reclassifications	-	-	66,334	66,334
Adjustment for lease			113,510	113,510
Implementation of GASB				
Interpretation No. 6	(87,858)	-	-	(87,858)
Restated fund balance at				
June 30, 2002	<u>\$ 4,276,054</u>	<u>\$ -</u>	<u>\$ 2,137,062</u>	<u>\$ 6,413,116</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2002	\$ 6,413,116
GASB 34 adjustments:	
Long-term (deferred) assets	2,823,864
Capital assets	4,337,840
Long-term liabilities	(1,550,123)
Governmental activities net assets, June 30, 2002	<u>\$ 12,024,697</u>

B. Deficit Fund Balances

Fund balances at June 30, 2003 included the following individual fund deficits:

	<u>Deficit</u>
Nonmajor Funds	
Teacher Development	\$ 12
Title I	6,984
Title VI	73
Class Size Reduction	285

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

C. Compliance

The following Special Revenue Funds had expenditures plus encumbrances in excess of appropriations for the year ended June 30, 2003:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<u>Special Revenue Funds</u>			
Athletic Fund	\$ 278,102	\$ 291,915	\$ (13,813)
Auxiliary Service Fund	5,709	598,890	(593,181)
LPDC Block Grant Fund	-	3,550	(3,550)
EMIS Fund	-	7,694	(7,694)
OneNet Network Connectivity Fund	-	19,500	(19,500)
SchoolNet Professional Development Fund	7,655	9,096	(1,441)
OhioReads Grant Fund	44,382	75,540	(31,158)
Boat Safety Education Grant Fund	73,961	76,797	(2,836)
Eisenhower Grant Fund	3,377	8,613	(5,236)
Title VI-B Grant Fund	363,125	408,187	(45,062)
Title VI Grant Fund	25,678	36,501	(10,823)
Drug-Free School Grant Fund	12,167	16,926	(4,759)
Telecommunications E-Rate Fund	35,500	38,139	(2,639)
Teacher Quality Enhancement Fund	-	2,999	(2,999)
Title II Grant Fund	65,782	65,842	(60)
Title II-D and IDEA Technology Grant Fund	16,211	16,447	(236)

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

Inactive deposits are public deposits 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 (FDIC), by eligible securities pledged by the finance institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 or 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

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

value of the agreement by at least 2 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) of this section 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument 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 fiscal year-end, the District had \$8,610 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents".

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

Deposits: At year-end, the carrying amount of the District's deposits was \$7,618,182 and the bank balance was \$7,887,489. Of the bank balance:

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

1. \$100,000 was covered by federal depository insurance or surety company bonds deposited with the District; and
2. \$7,787,489 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to § 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and other investments in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio and the U.S. Government money market mutual fund are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Reported Amount	Fair Value
	<u> </u>	<u> </u>	<u> </u>
Federal agency securities	\$ 36,818,682	\$ 36,818,682	\$ 36,818,682
U.S. Government money market mutual fund		3,401,149	3,401,149
Investment in STAR Ohio		4,623,253	4,623,253
Total investments		<u>\$ 44,843,084</u>	<u>\$ 44,843,084</u>

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 20,376,495	\$ 32,093,381
Investments of the cash management pool:		
U.S. Government money market mutual fund	(3,401,149)	3,401,149
Investment in STAR Ohio	(4,623,253)	4,623,253
Federal agency securities	(4,725,301)	4,725,301
Cash on hand	(8,610)	-
GASB Statement No. 3	\$ 7,618,182	\$ 44,843,084

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 72,500

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Lucas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

The amount available as an advance at June 30, 2003 was \$176,169 in the general fund, and \$61,897 in the permanent improvement fund. This amount has been recorded as revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 398,773,010	77.57%	\$ 402,818,000	78.38%
Public utility personal	14,662,940	2.85%	14,459,000	2.81%
Tangible personal property	100,682,098	19.58%	96,688,000	18.81%
Total	<u>\$ 514,118,048</u>	<u>100.00%</u>	<u>\$ 513,965,000</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 62.30		\$ 64.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, internal loans and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities	
Property taxes	\$ 20,429,775
Accounts	24,029
Intergovernmental	1,374,535
Accrued interest	<u>246,966</u>
Total	<u>\$ 22,075,305</u>

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy (see Note 2.H. for detail), fund reclassification, the depreciation of capital assets in accordance with GASB Statement No. 34, and to include land values not reported in the prior year.

	Balance 6/30/02	Adjustments	Restated Balance 6/30/02
Governmental Activities			
<i>Capital assets, not being depreciated:</i>			
Land	\$ -	\$ 1,153,703	\$ 1,153,703
Total capital assets, not being depreciated	-	1,153,703	1,153,703
<i>Capital assets, being depreciated:</i>			
Land improvements	1,652,948	(4,732)	1,648,216
Buildings and improvements	7,935,013	234,984	8,169,997
Furniture and equipment	6,140,479	(4,115,531)	2,024,948
Vehicles	1,195,825	(46,078)	1,149,747
Total capital assets, being depreciated	16,924,265	(3,931,357)	12,992,908
<i>Less: accumulated depreciation</i>	-	(9,808,771)	(9,808,771)
Governmental activities capital assets, net	\$ 16,924,265	\$ (12,586,425)	\$ 4,337,840

- B. Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance at 06/30/02	Additions	Deductions	Balance at 06/30/03
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,153,703	\$ -	\$ (454,714)	\$ 698,989
Construction in progress	-	40,000	-	40,000
Total capital assets, not being depreciated	1,153,703	40,000	(454,714)	738,989

(Continued)

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

	Restated Balance at 06/30/02	Additions	Deductions	Balance at 06/30/03
Capital assets, being depreciated				
Land improvements	1,648,216	240,805	-	1,889,021
Buildings and improvements	8,169,997	104,865	-	8,274,862
Furniture and equipment	2,024,948	110,698	(324,601)	1,811,045
Vehicles	1,149,747		(22,791)	1,126,956
Total capital assets, being depreciated	<u>12,992,908</u>	<u>456,368</u>	<u>(347,392)</u>	<u>13,101,884</u>
Less: accumulated depreciation				
Land improvements	(1,451,351)	(24,081)	-	(1,475,432)
Buildings and improvements	(5,966,709)	(169,051)	-	(6,135,760)
Furniture and equipment	(1,487,636)	(126,055)	310,595	(1,303,096)
Vehicles	(903,075)	(37,297)	18,691	(921,681)
Total accumulated depreciation	<u>(9,808,771)</u>	<u>(356,484)</u>	<u>329,286</u>	<u>(9,835,969)</u>
Governmental activities capital assets, net	<u>\$ 4,337,840</u>	<u>\$ 139,884</u>	<u>\$ (472,820)</u>	<u>\$ 4,004,904</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 137,408
Special	11,111
Support Services:	
Pupil	832
Instructional staff	13,755
Administration	38,213
Fiscal	375
Operations and maintenance	54,149
Pupil transportation	32,102
Central	3,310
Community Services	22,034
Extracurricular activities	30,331
Food service operations	12,864
Total depreciation expense	<u>\$ 356,484</u>

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 9 - CAPITALIZED LEASE - LESSEE DISCLOSURE

In a prior year, the District entered into a capitalized lease for computer equipment. This lease agreement met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

The assets consisting of computer equipment were not capitalized even though the amount is \$318,648 because individually the computers do not meet the capitalization threshold. The amount of \$318,648 represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is reported in the government-wide financial statements. The principal payment in fiscal year 2003 totaled \$113,510 paid by the Technology Levy nonmajor special revenue fund. The final capital lease payment of \$114,165, which is comprised entirely of principal, will be made during fiscal year 2004.

NOTE 10 – OPERATING LEASE - LESSEE DISCLOSURE

The School entered into an operating lease in fiscal year 2002 with the Northwest Ohio Computer Association (NWOCA) for a high bandwidth dedicated connection to NWOCA for a period of fifteen (15) years. The School elected a payment plan over 2 years, with the first payment of \$150,000 for fiscal year 2002 and the subsequent payment of \$159,000 for fiscal year 2003. Lease payments totaled \$159,000 for the year.

NOTE 11 - LONG-TERM OBLIGATIONS

- A. The balance of the District's governmental activities long-term obligations at June 30, 2002 has been restated. The compensated absences liability increased \$97,987 from \$1,162,008 to \$1,259,995 due to the fund reclassifications described in Note 3.A. In addition, pension obligations of \$207,756 at June 30, 2002 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the Statement of Net Assets. The District had a capital lease obligation that was not reported at June 30, 2002, in the amount of \$227,675. The effect on the total governmental activities long-term obligations at July 1, 2002 was an increase of \$117,906 from \$1,369,764 to \$1,487,670. During the fiscal year 2003, the following changes occurred in governmental activities long-term obligations:

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

	Restated Balance July 1, 2002	Increase	Decrease	Balance June 30, 2003	Amount Due in One Year
General obligation notes	\$ -	\$ 42,000,000	\$ -	\$ 42,000,000	\$ -
Capital lease obligation	227,675	-	(113,510)	114,165	114,165
Compensated absences	1,259,995	400,514	(207,041)	1,453,468	243,330
Total	\$ 1,487,670	\$ 42,400,514	\$ (320,551)	43,567,633	\$ 357,495
Unamortized premium on note issue				71,304	
Total on Statement of Net Assets				\$ 43,638,937	

Capital Lease Obligation

The capital lease obligation was paid from the Technology Levy nonmajor special revenue fund. See Note 9 for details.

General Obligation Notes

On June 12, 2003, the District issued \$42,000,000 in bond anticipation notes to begin various District building projects. The notes bore an annual interest rate of 2.00 percent and matured on October 28, 2003. The notes will retire using the proceeds from the District's \$42,000,000 bond issue on August 1, 2003. In accordance with FASB Statement No. 6 "Classification of Short-Term Obligations Expected to Be Refinanced", the bond anticipation notes were classified as long-term obligations because they will be replaced with long-term bonds before the financial statements have been issued.

Compensated Absences

Compensated absences will be paid from the fund from which the employee's salaries are paid.

B. Legal Debt Margin

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

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$46,338,916 (including available funds of \$82,066) and an unvoted debt margin of \$513,965.

NOTE 12 - RISK MANAGEMENT

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

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100 percent coinsured, to a limit of \$62,299,577.

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

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

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from 2002.

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

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute 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, Suite 100, Columbus, Ohio 43215-3476, 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. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. 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, 2003, 2002, and 2001 were \$237,409, \$343,222, and \$432,720, respectively; 51.65 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$114,776 represents the unpaid contribution for fiscal year 2003.

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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13 percent of annual covered salary 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,850,336, \$1,243,713, and \$1,838,529, respectively; 84.73 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$282,471 represents the unpaid contribution for fiscal year 2003.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - 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 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 1 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$142,334 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 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 5.83 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 2003, the minimum pay has been established at \$14,500. The

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 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 \$241,477 during the 2003 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

Net Change in Fund Balance	
	<u>General Fund</u>
Budget basis	\$ (1,266,443)
Net adjustment for revenue accruals	(436,178)
Net adjustment for expenditure accruals	(103,762)
Net adjustment for other sources/uses	(90,377)
Adjustment for encumbrances	90,375
GAAP basis	<u>\$ (1,806,385)</u>

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

As of the balance sheet date, the District was a defendant in a wrongful death and a deprivation rights lawsuit. The District's liability insurance coverage as of the date the lawsuit was filed was \$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. State 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.

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

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside balance as of June 30, 2002	\$ (379,688)	\$ -	\$ 121,957
Current year set-aside requirement	381,826	381,826	-
Current year offsets	-	(450,167)	-
Qualifying disbursements	(697,130)	(189,878)	-
Total	<u>\$ (694,992)</u>	<u>\$ (258,219)</u>	<u>\$ 121,957</u>
Balance carried forward to FY 2004	<u>\$ (694,992)</u>	<u>\$ -</u>	<u>\$ 121,957</u>

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

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

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

A schedule of the restricted assets at June 30, 2003 follows:

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

Amount restricted for budget stabilization	\$ 121,957
Amount restricted for school bus purchases	<u>153,467</u>
 Total	 <u><u>\$ 275,424</u></u>

NOTE 18 - 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 administration believes, could cumulatively total over \$1 million.

NOTE 19 - OUTSTANDING CONTRACTUAL COMMITMENTS

At June 30, 2003, the District had the following outstanding contractual commitments:

Project	Vendor	Contract Amount	Remaining Balance at June 30, 2003
Point of Sale System	Meals Plus	\$ 24,149	\$ 24,149
Summer Paving Projects	Atlas Paving	132,120	132,120
GMS Roofing Project	Wolff Roofing	63,375	63,375
Bond Construction Project	Duket/Porter/McPherson	<u>2,530,921</u>	<u>2,490,921</u>
Total		<u><u>\$ 2,750,565</u></u>	<u><u>\$ 2,710,565</u></u>

NOTE 20 - SUBSEQUENT EVENTS

On August 1, 2003, the District issued \$42,000,000 in School Facilities Construction and Improvement Bonds to retire the bond anticipation notes issued for various District building projects as discussed in the long term obligations note (see note 10). The interest rate on the bonds range from 2.00 – 5.00 percent and the maturity date is December 1, 2031. The District awarded the first contract for this project in the amount of \$312,000 for asbestos removal.

On December 15, 2003, the District approved membership in the Northwest Ohio Educational Council Self-Insurance Group property, fleet and liability insurance consortium effective January 1, 2004.

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**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE PERIOD ENDED JUNE 30, 2003**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	C1S1-2002 C1S1-2003
Total Title I		
Title VI-B, Special Education, Assistance to State for for Education of Handicapped Children	84.027	6BSD-2002-P 6BSF-2002-P 6BSF-2003-P
Total Title VI-B Special Education		
Safe and Drug-Free School and Communities - State Grants	84.186	DRS1-2002 DRS1-2003
Total Safe and Drug-Free School and Communities		
Eisenhower Professional Development State Grants	84.281	MSS1-2002
Title V, Part A, Innovative Education Program Strategies	84.298	C2S1-2002 C2S1-2003
Total Title V, Part A, Innovative Education Program Strategies		
Title II-D, Educational Technology Grants	84.318	TJS1-2002 TJS1-2003
Total Title II-D, Education Technology Grants		
Teacher Quality Enhancement Grants	84.336	QES1-2002
School Renovation, IDEA and Technology Grant	84.352A	ATS3-2002 ATS3-2003
Total School Renovation, IDEA and Technology Grant		
Improving Teacher Quality, Title II-A	84.367	TRS1-2003
Total Department of Education		

Receipts	Non-cash Receipts	Disbursements	Non-cash Disbursements
\$ 41,306		\$ 3,690	
116,495		116,495	
<u>157,801</u>		<u>120,185</u>	
5,558		1,675	
31,272		46,478	
357,180		356,917	
<u>394,010</u>		<u>405,070</u>	
		4,759	
11,284		10,067	
<u>11,284</u>		<u>14,826</u>	
1,230		8,613	
14,833		14,833	
21,668		21,668	
<u>36,501</u>		<u>36,501</u>	
		523	
3,187		3,187	
<u>3,187</u>		<u>3,710</u>	
1,761		2,999	
9,246		9,246	
3,491		3,491	
<u>12,737</u>		<u>12,737</u>	
65,782		65,731	
<u>684,293</u>		<u>670,372</u>	

(Continued)

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE PERIOD ENDED JUNE 30, 2003
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES <i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>		
Medical Assistance Program	93.778	-
Total United States Department of Health and Human Services		
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program	10.550	-
School Breakfast Program	10.553	05PU-2002 05PU-2003
National School Lunch Program	10.555	LL-P4-2002 LL-P4-2003
Total United States Department of Agriculture - Nutrition Cluster		
TOTAL FEDERAL FINANCIAL ASSISTANCE		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

<u>Receipts</u>	<u>Non-cash Receipts</u>	<u>Disbursements</u>	<u>Non-cash Disbursements</u>
19,756		19,756	
19,756		19,756	
	\$ 55,489		\$ 55,489
10		10	
3,863		3,863	
14,339		14,339	
104,189		104,189	
122,401	55,489	122,401	55,489
\$ 826,450	\$ 55,489	\$ 812,529	\$ 55,489

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003**

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 - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**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 Avenue
Maumee, Ohio 43537-3712

To the Board of Education:

We have audited the financial statements of Maumee City School District (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated May 21, 2004 in which we noted the District implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and changed the capital asset threshold amount. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 21, 2004.

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 May 21, 2004.

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.



Betty Montgomery
Auditor of State

May 21, 2004



**Auditor of State
Betty Montgomery**

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

Maumee City School District
Lucas County
2345 Detroit Avenue
Maumee, Ohio 43537-3712

To the Board of Education:

Compliance

We have audited the compliance of Maumee City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. 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.

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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, 2003.

Internal Control over Compliance

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

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

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



Betty Montgomery
Auditor of State

May 21, 2004

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FISCAL YEAR END JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2003-001

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Our testing of budgetary compliance during at June 30, 2003 identified the following instances in which expenditures exceeded appropriations in the following funds at the legal level of control:

Fund	Appropriations	Expenditures	Excess
Special Revenue Funds			
Athletic Fund	\$ 278,102	\$ 291,915	\$ (13,813)
Auxiliary Service Fund	5,709	598,890	(593,181)
LPDC Block Grant Fund		3,550	(3,550)
EMIS Fund		7,694	(7,694)
OneNet Network Connectivity Fund		19,500	(19,500)
School Net Professional Development Fund	7,655	9,096	(1,441)
OhioReads Grant Fund	44,382	75,540	(31,158)
Boat Safety Education Grant Fund	73,961	76,797	(2,836)
Eisenhower Grant Fund	3,377	8,613	(5,236)
Title VI-B Grant Fund	363,125	408,187	(45,062)
Title VI Grant Fund	25,678	36,501	(10,823)
Drug-Free School Grant Fund	12,167	16,926	(4,759)
Telecommunications E-Rate Fund	35,500	38,139	(2,639)
Teacher Quality Enhancement Fund		2,999	(2,999)
Title II Grant Fund	65,782	65,842	(60)
Title II-D and IDEA Technology Grant Fund	16,211	16,447	(236)

Management was advised that the failure to have adequate appropriations in place at the time of the expenditures are being made could result in expenditures to exceed available resources, further resulting in deficit spending practices.

The Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Treasurer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Ohio Revised Code § 5705.39 appropriations exceeding estimated resources	No	Partially corrected. Improvements have been made but not fully corrected. Reported as a management letter comment.
2002-002	Ohio Revised Code § 5705.41(B) expenditures exceeding appropriations	No	Not corrected. Citation will be reissued as Finding number 2003-001. District administration will take a more aggressive approach in monitoring expenditures to ensure that stay within appropriations.



**Auditor of State
Betty Montgomery**

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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
JUNE 10, 2004**