



**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



**JIM PETRO  
AUDITOR OF STATE**

**STATE OF OHIO**



**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Maumee City School District (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Maumee City School District, Lucas County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government District Auditing Standards*, we have also issued our report dated March 29, 2001 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.

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

**Jim Petro**  
Auditor of State

March 29, 2001

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**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$4,287,317	\$674,460	\$735,680
Equity in pooled cash and cash equivalents - nonexpendable trust fund			
Receivables (net of allowances of uncollectibles):			
Property taxes - current and delinquent	17,796,956		272,914
Accounts	4,642		
Due from other governments	3,406		1,917,607
Prepayments	27,798		
Materials and supplies inventory	19,733		
Restricted assets:			
Equity in pooled cash and cash equivalents	565,183		
Property, plant and equipment (net of accumulated depreciation where applicable)			
<b>Other Debits:</b>			
Amount to be provided for retirement of General Long-Term Obligations			
<b>Total assets and other debits</b>	<b>\$22,705,035</b>	<b>\$674,460</b>	<b>\$2,926,201</b>



Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$125,435	\$55,351			\$5,878,243
	70,664			70,664
				18,069,870
37				4,679
				1,921,013
				27,798
9,379				29,112
				565,183
41,349		\$15,617,934		15,659,283
			\$1,333,446	1,333,446
<b>\$176,200</b>	<b>\$126,015</b>	<b>\$15,617,934</b>	<b>\$1,333,446</b>	<b>\$43,559,291</b>

(Continued)

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000  
(Continued)**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
<b>Liabilities:</b>			
Accounts payable	\$78,686	\$55,253	\$29,764
Accrued wages and benefits	2,065,525	58,371	766
Compensated absences payable	49,499		
Pension obligation payable	334,010	15,802	
Deferred revenue	17,399,997		2,178,412
Due to other governments	13,052		
Due to students			
	<b>19,940,769</b>	<b>129,426</b>	<b>2,208,942</b>
<b>Equity and Other Credits:</b>			
Investment in general fixed assets			
Contributed capital			
Retained earnings: unreserved			
Fund balances:			
Reserved for encumbrances	208,768	239,880	412,295
Reserved for supplies inventory	19,733		
Reserved for prepayments	27,798		
Reserved for tax revenue unavailable for appropriation	304,215		8,538
Reserved for principal endowment			
Reserved for scholarships			
Reserved for budget stabilization	565,183		
Unreserved-undesignated	1,638,569	305,154	296,426
	<b>2,764,266</b>	<b>545,034</b>	<b>717,259</b>
<b>Total liabilities, equity and other credits</b>	<b>\$22,705,035</b>	<b>\$674,460</b>	<b>\$2,926,201</b>

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$4,974	\$10,230			\$178,907
11,133	27			2,135,822
11,786			\$1,181,731	1,243,016
51,464			151,715	552,991
4,193				19,582,602
	28,321			13,052
				28,321
83,550	38,578		1,333,446	23,734,711
		\$15,617,934		15,617,934
21,499				21,499
71,151				71,151
	1,990			862,933
				19,733
				27,798
				312,753
	60,000			60,000
	10,664			10,664
				565,183
	14,783			2,254,932
92,650	87,437	15,617,934		19,824,580
<b>\$176,200</b>	<b>\$126,015</b>	<b>\$15,617,934</b>	<b>\$1,333,446</b>	<b>\$43,559,291</b>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
<b>Revenues:</b>			
From local sources:			
Taxes	\$16,222,115		\$435,561
Tuition	151,072		
Earnings on investments	484,476	\$2,142	
Other local revenues	179,864	446,712	
Revenue in lieu of taxes			140,600
Intergovernmental - State	4,522,735	706,330	82,049
Intergovernmental - Federal	13,478	741,338	
Total revenue	<u>21,573,740</u>	<u>1,896,522</u>	<u>658,210</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	11,087,786	535,448	80,218
Special	1,580,754	357,130	
Vocational	325,777		
Other	136,428		
Support services:			
Pupil	914,649	17,104	
Instructional staff	478,875	365,195	513
Board of Education	32,874		
Administration	1,740,178	723	
Fiscal	450,278	3,090	
Business	46,891	158,242	
Operations and maintenance	1,900,365	5,824	
Pupil transportation	560,171		
Central	130,922	25,657	
Community services		622,125	
Extracurricular activities	549,938	229,797	
Facilities services			433,890
Debt service:			
Principal retirement	11,331		
Interest and fiscal charges	417		
Total expenditures	<u>19,947,634</u>	<u>2,320,335</u>	<u>514,621</u>
Excess of revenues over (under) expenditures	<u>1,626,106</u>	<u>(423,813)</u>	<u>143,589</u>
<b>Other financing sources (uses):</b>			
Operating transfers in		500,000	20,027
Operating transfers out	(658,027)		
Proceeds from sale of assets	2,097		
Total other financing sources (uses)	<u>(655,930)</u>	<u>500,000</u>	<u>20,027</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>970,176</u>	<u>76,187</u>	<u>163,616</u>
Fund balance, July 1	1,788,476	468,847	553,643
Increase in reserve for inventory	5,614		
<b>Fund balance, June 30</b>	<b><u>\$2,764,266</u></b>	<b><u>\$545,034</u></b>	<b><u>\$717,259</u></b>

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

<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	\$16,657,676
	151,072
\$524	487,142
25,482	652,058
	140,600
	5,311,114
	754,816
26,006	24,154,478
4,768	11,708,220
	1,937,884
	325,777
	136,428
	931,753
	844,583
	32,874
	1,740,901
	453,368
	205,133
	1,906,189
	560,171
199	156,778
23,756	645,881
	779,735
	433,890
	11,331
	417
28,723	22,811,313
(2,717)	1,343,165
	520,027
	(658,027)
	2,097
	(135,903)
(2,717)	1,207,262
19,490	2,830,456
	5,614
<b>\$16,773</b>	<b>\$4,043,332</b>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
From local sources:						
Taxes	\$15,400,000	\$16,102,131	\$702,131			
Tuition	101,000	165,933	64,933			
Earnings on investments	340,000	484,476	144,476	\$1,147	\$2,142	\$995
Other local revenues	140,000	158,111	18,111	240,908	449,903	208,995
Revenue in lieu of taxes						
Intergovernmental - State	4,456,000	4,522,735	66,735	378,217	706,330	328,113
Intergovernmental - Federal	13,000	10,072	(2,928)	397,510	742,361	344,851
Total revenues	<u>20,450,000</u>	<u>21,443,458</u>	<u>993,458</u>	<u>1,017,782</u>	<u>1,900,736</u>	<u>882,954</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	11,997,327	11,154,580	842,747	644,464	574,017	70,447
Special	1,631,992	1,565,216	66,776	343,535	340,330	3,205
Vocational	358,080	335,519	22,561			
Other	60,600	136,428	(75,828)			
Support services:						
Pupil	987,768	908,452	79,316	34,574	20,218	14,356
Instructional staff	496,375	461,439	34,936	431,919	532,701	(100,782)
General administration	50,420	34,372	16,048			
School administration	2,026,163	1,819,406	206,757	3,499	3,464	35
Fiscal	493,771	449,237	44,534	5,697	4,754	943
Business	62,674	47,199	15,475	168,344	161,305	7,039
Operations and maintenance	2,359,825	2,052,000	307,825	7,025	7,630	(605)
Pupil transportation	626,760	559,175	67,585			
Central	141,429	135,481	5,948	26,346	26,032	314
Community services				206,589	646,318	(439,729)
Extracurricular activities	564,087	551,361	12,726	288,428	258,904	29,524
Capital outlay						
Debt service:						
Principal retirement						
Total expenditures	<u>21,857,271</u>	<u>20,209,865</u>	<u>1,647,406</u>	<u>2,160,420</u>	<u>2,575,673</u>	<u>(415,253)</u>
Excess of revenues over (under) expenditures	<u>(1,407,271)</u>	<u>1,233,593</u>	<u>2,640,864</u>	<u>(1,142,638)</u>	<u>(674,937)</u>	<u>467,701</u>
<b>Other financing sources (uses):</b>						
Refund of prior year's expenditures	13,000	17,944	4,944			
Refund of prior year's (receipts)	(57)		57			
Operating transfers in		443,226	443,226	267,948	500,400	232,452
Operating transfers (out)	(915,000)	(1,101,253)	(186,253)	(1,428)	(900)	528
Advances in		109,152	109,152			
Advances (out)				(60,663)	(109,152)	(48,489)
Proceeds of sale of fixed assets	2,000	2,097	97			
Pass through						
Total other sources (uses)	<u>(900,057)</u>	<u>(528,834)</u>	<u>371,223</u>	<u>205,857</u>	<u>390,348</u>	<u>184,491</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(2,307,328)</u>	<u>704,759</u>	<u>3,012,087</u>	<u>(936,781)</u>	<u>(284,589)</u>	<u>652,192</u>
Fund balance, July 1	3,701,792	3,701,792		321,378	321,378	
Prior year encumbrances appropriated	165,273	165,273		344,525	344,525	
<b>Fund balance, June 30</b>	<u><b>\$1,559,737</b></u>	<u><b>\$4,571,824</b></u>	<u><b>\$3,012,087</b></u>	<u><b>(\$270,878)</b></u>	<u><b>\$381,314</b></u>	<u><b>\$652,192</b></u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$414,500	\$437,302	\$22,802	\$15,814,500	\$16,539,433	\$724,933
						101,000	165,933	64,933
						341,147	486,618	145,471
						380,908	608,014	227,106
			139,903	140,600	697	139,903	140,600	697
			38,000	82,049	44,049	4,872,217	5,311,114	438,897
						410,510	752,433	341,923
			592,403	659,951	67,548	22,060,185	24,004,145	1,943,960
			146,040	127,303	18,737	12,787,831	11,855,900	931,931
						1,975,527	1,905,546	69,981
						358,080	335,519	22,561
						60,600	136,428	(75,828)
						1,022,342	928,670	93,672
			500	513	(13)	928,794	994,653	(65,859)
						50,420	34,372	16,048
						2,029,662	1,822,870	206,792
						499,468	453,991	45,477
						231,018	208,504	22,514
						2,366,850	2,059,630	307,220
						626,760	559,175	67,585
						167,775	161,513	6,262
						206,589	646,318	(439,729)
						852,515	810,265	42,250
			1,164,993	954,233	210,760	1,164,993	954,233	210,760
\$11,171		\$11,171				11,171		11,171
11,171		11,171	1,311,533	1,082,049	229,484	25,340,395	23,867,587	1,472,808
(11,171)		11,171	(719,130)	(422,098)	297,032	(3,280,210)	136,558	3,416,768
						13,000	17,944	4,944
						(57)		57
				20,027	20,027	267,948	963,653	695,705
						(916,428)	(1,102,153)	(185,725)
							109,152	109,152
						(60,663)	(109,152)	(48,489)
						2,000	2,097	97
			(61,000)		61,000			
			(61,000)	20,027	81,027	(755,200)	(118,459)	636,741
(11,171)		11,171	(780,130)	(402,071)	378,059	(4,035,410)	18,099	4,053,509
			204,921	204,921		4,228,091	4,228,091	
			491,813	491,813		1,001,611	1,001,611	
<b>(\$11,171)</b>		<b>\$11,171</b>	<b>(\$83,396)</b>	<b>\$294,663</b>	<b>\$378,059</b>	<b>\$1,194,292</b>	<b>\$5,247,801</b>	<b>\$4,053,509</b>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS (ACCUMULATED DEFICIT)/FUND BALANCE  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Total (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Operating revenues:</b>				
Tuition and fees	\$209,492			\$209,492
Sales/charges for services	600,122	\$1,049		601,171
Investment earnings			\$3,916	3,916
Other operating revenues			2,454	2,454
	<u>809,614</u>	<u>1,049</u>	<u>6,370</u>	<u>817,033</u>
<b>Operating expenses:</b>				
Personal services	451,237			451,237
Contract services	520,573			520,573
Materials and supplies	171,076			171,076
Depreciation	3,435			3,435
Claims expense		686		686
Other operating expenses	3,429		5,472	8,901
	<u>1,149,750</u>	<u>686</u>	<u>5,472</u>	<u>1,155,908</u>
Operating income (loss)	<u>(340,136)</u>	<u>363</u>	<u>898</u>	<u>(338,875)</u>
<b>Nonoperating revenues:</b>				
Operating grants	97,121			97,121
Federal commodities	51,724			51,724
Interest revenue	1,024			1,024
	<u>149,869</u>			<u>149,869</u>
Net income (loss) before operating transfers	(190,267)	363	898	(189,006)
Operating transfers in	138,000			138,000
Net income (loss)	(52,267)	363	898	(51,006)
Retained earnings (Accumulated deficit)/ Fund Balance at July 1	123,418	(363)	69,766	192,821
Retained earnings (Accumulated deficit)/ Fund Balance at June 30	<u><b>\$71,151</b></u>		<u><b>\$70,664</b></u>	<u><b>\$141,815</b></u>

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



**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Total (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Cash flows from operating activities:</b>				
Cash received from tuition and fees	\$212,536			\$212,536
Cash received from sales/service charges	600,122	\$1,049		601,171
Cash received from other operations			\$2,454	2,454
Cash payments for personal services	(443,244)			(443,244)
Cash payments for contract services	(520,822)			(520,822)
Cash payments supplies and materials	(114,820)			(114,820)
Cash payments for claims expenses		(1,049)		(1,049)
Cash payments for other expenses	(3,392)		(5,472)	(8,864)
Net cash provided (used) by operating activities	<u>(269,620)</u>		<u>(3,018)</u>	<u>(272,638)</u>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from operating grants	112,163			112,163
Transfers in from other funds	138,000			138,000
Net cash provided by noncapital financing activities	<u>250,163</u>			<u>250,163</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	4,000			4,000
<b>Cash flows from investing activities:</b>				
Interest received	1,024		3,916	4,940
Net increase (decrease) in cash and cash equivalents	(22,433)		898	(21,535)
Cash and cash equivalents at beginning of year	147,868		69,766	217,634
<b>Cash and cash equivalents at end of year</b>	<b><u>\$125,435</u></b>		<b><u>\$70,664</u></b>	<b><u>\$196,099</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	(\$340,136)	\$363	\$898	(\$338,875)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>				
Depreciation	3,435			3,435
Federal donated commodities	51,724			51,724
Interest reported as operating income			(3,916)	(3,916)
Changes in assets and liabilities:				
Decrease in supplies inventory	3,854			3,854
Decrease in accounts receivable	569			569
Increase in prepayments	7			7
Increase in accounts payable	3,858			3,858
Decrease in accrued wages and benefits	(808)			(808)
Increase in compensated absences payable	2,055			2,055
Increase in pension obligation payable	6,746			6,746
Decrease in claims payable		(363)		(363)
Decrease in deferred revenue	(924)			(924)
<b>Net cash provided (used) by operating activities</b>	<b><u>(\$269,620)</u></b>		<b><u>(\$3,018)</u></b>	<b><u>(\$272,638)</u></b>

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

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**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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

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

The District ranks as the 160<sup>th</sup> largest by enrollment among the 660 public and community school districts in the State. It currently operates 4 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 124 non-certified and 230 certified full-time and part-time employees to provide services to approximately 3,003 students in grades K through 12 and various community groups.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

***Jointly Governed Organizations:***

*Northwest Ohio Computer Association (NWOCA)*

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

*Penta County Joint Vocational School*

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

**B. Fund Accounting**

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

***Governmental Funds***

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

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

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

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

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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

***Proprietary Funds***

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

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

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

***Fiduciary Funds***

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

***Account Groups***

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

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

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

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**C. Measurement Focus/Basis of Accounting**

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

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

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

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

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**D. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2000 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Lucas County Budget Commission for tax rate determination.
3. Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interest loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations during fiscal 2000 were legally enacted by the Board as follows:

	<u>Increase</u>
General	\$2,125,552
Special Revenue	514,407
Capital Projects	307,057
Enterprise	<u>231,136</u>
TOTAL	<u><u>\$3,178,152</u></u>

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

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

**E. Cash and Investments**

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

During 2000 investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

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



**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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, 2000.

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

	<u>Interest Actually Received</u>	<u>Interest Based upon Share of Investments</u>	<u>Interest Assigned from Other Funds</u>
General	\$484,476	\$357,397	\$127,079
<u>Enterprise Funds</u>			
Food Service	1,024	212	812

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

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity 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.

**F. Inventory**

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

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

**G. Prepaids**

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

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

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

2. Proprietary and Nonexpendable Trust Funds

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

Asset	Life (years)
Furniture and Equipment	8 - 20

**I. Intergovernmental Revenues**

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

<p><u>Entitlements</u></p> <p><u>General Fund</u></p> <p style="padding-left: 20px;">State Foundation Program</p> <p style="padding-left: 20px;">State Property Tax Relief</p> <p><u>Capital Projects Funds</u></p> <p style="padding-left: 20px;">State Property Tax Relief</p> <p><u>Special Revenue Funds</u></p> <p style="padding-left: 20px;">Auxiliary Services</p> <p><u>Non-Reimbursable Grants</u></p> <p><u>Special Revenue Funds</u></p> <p style="padding-left: 20px;">Technology Grant</p>	<p><u>Non-Reimbursable Grants - (Continued)</u></p> <p><u>Special Revenue Grants - (Continued)</u></p> <p style="padding-left: 20px;">Data Communication</p> <p style="padding-left: 20px;">Instructional Materials Subsidy</p> <p style="padding-left: 20px;">Summer Intervention</p> <p><u>Capital Project Funds</u></p> <p style="padding-left: 20px;">School Net</p> <p><u>Reimbursable Grants</u></p> <p><u>General Fund</u></p> <p style="padding-left: 20px;">School Bus Purchases</p> <p style="padding-left: 20px;">Driver Education</p>
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**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

Teacher Development	<u>Special Revenue Funds</u>
Venture Capital	Underground Storage Tank
School Net Professional Development	Telecommunications
Educational Television	
Management Information Systems	<u>Proprietary</u>
Title VI-B	National School Lunch Program
Title I	National School Milk Program
Title VI	Adult Education
Drug-Free Schools	
Ohio Reads	

Grants and entitlements amounted to over 24% of the District's operating revenue during the 2000 fiscal year.

**J. Compensated Absences**

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

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

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

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

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**K. Contributed Capital**

Contributed capital reported in the Enterprise funds represents resources provided from other funds, other governments, or private sources that is not subject to repayment. These assets are recorded at fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Contributed capital did not change during fiscal year 2000.

**L. Long-Term Obligations**

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

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

**M. Fund Equity**

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

**N. Interfund Transactions**

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

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

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 5.

**O. Statutory Reserves**

The District is required by State law to set-aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of July 1, 1999	\$ 0	\$ 0	\$121,957
Current year set-aside requirement	565,183	565,183	443,226
Current year offsets	0	0	0
Qualifying disbursements	<u>(594,730)</u>	<u>(574,942)</u>	<u>          </u>
Total	<u>(29,547)</u>	<u>(9,759)</u>	<u>565,183</u>
Cash balance carried forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$565,183</u>

Although the District had qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	<u>\$565,183</u>
Total restricted assets	<u>\$565,183</u>

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**P. Statement of Cash Flows**

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

**Q. Parochial Schools**

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

**R. Financial Reporting for Proprietary and Similar Fund Types**

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

**S. Estimates**

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

**T. Restricted Assets**

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. Fund balance reserves have also been established. See Note 2.O. for statutory reserves.

**U. Memorandum Only - Total Columns**

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

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances/Retained Earnings**

Fund balances/retained earnings at June 30, 2000 included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
Title VI-B	\$(53,328)
Title I	(57,059)
Textbook Subsidy	(531)
 <u>Enterprise Fund</u>	
Food Service	(30,038)

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

**B. The following fund accounts had expenditures plus encumbrances in excess of appropriations contrary to § 5705.41, Ohio Revised Code:**

<u>Fund Type/Fund/Function</u>	<u>Excess</u>
<u>General</u>	
Other Instruction	\$75,828
 <u>Special Revenue</u>	
Other Grant	
Special Instruction	6,460
Education Foundation	
Community Service	2,000
Technology Levy	
Instructional Staff	118,325
Auxiliary Services	
Community Service	437,729
Title I	
Special Instruction	8,552
Miscellaneous Federal Grants	
Operations and maintenance	749
 <u>Capital Projects</u>	
SchoolNet	
Instructional Staff	13

**MAUMEE CITY SCHOOL DISTRICT  
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**4. EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);



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

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

*Cash on Hand:* At year end, the District had \$37,640 in undeposited cash on hand which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

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

*Deposits:* At year-end the carrying amount of the District's deposits was \$(687,412) and the bank balance was zero. The District did not record a liability due to the 'zero balance' nature of its bank accounts.

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

	Category of Risk		Reported	Fair Value
	1	3	Amount	
Repurchase Agreement	\$100,000	\$289,781	\$389,781	\$389,781
Not Subject to Categorization:				
Investment in State				
Treasurer's Investment Pool			6,774,081	6,774,081
Total Investments	<u>\$100,000</u>	<u>\$289,781</u>	<u>\$7,163,862</u>	<u>\$7,163,862</u>

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

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

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 6,514,090	
Investments of the Cash Management Pool:		
Repurchase Agreement	(389,781)	\$ 389,781
State Treasurer's Investment Pool	(6,774,081)	6,774,081
Cash on Hand	(37,640)	
GASB Statement No. 3	<u>\$ (687,412)</u>	<u>\$7,163,862</u>

**5. INTERFUND TRANSACTIONS**

The following is a reconciliation of the District's operating transfers for fiscal year 2000:

	Transfers In	Transfers (Out)
General Fund		\$(658,027)
<u>Special Revenue Funds</u>		
Technology Grant	\$500,000	
<u>Capital Projects Funds</u>		
Permanent Improvement	20,027	
<u>Enterprise Funds</u>		
Food Service	138,000	
Totals	<u>\$658,027</u>	<u>\$(658,027)</u>

**6. PROPERTY TAXES**

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

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

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

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

The assessed values upon which the fiscal year 2000 taxes were collected were as follows:

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$333,852,290	76.34	\$335,912,820	77.03
Public Utility Personal	22,137,500	5.06	19,345,120	4.43
Tangible Personal Property	81,326,044	18.60	80,849,165	18.54
	\$437,315,834	100.00	\$436,107,105	100.00

Tax rate per \$1,000 of  
assessed valuation:

Operations	\$63.00	\$63.40
Permanent Improvements	1.50	1.50

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of real tax advances of the August settlement available June 30) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2000 totaled \$304,215 in the General fund and \$8,538 in the Permanent Improvements fund.

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**7. RECEIVABLES**

Receivables at June 30, 2000 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds. A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$17,796,956
Accounts Receivable	4,642
Due from Other Governments	3,406
 <u>Capital Project Funds</u>	
Taxes - Current and Delinquent	272,914
Due from Other Governments	1,917,607

**8. FIXED ASSETS**

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

	<u>Balance</u> <u>July 1, 1999</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2000</u>
Land/Improvements	\$ 1,377,820	\$ 89,807		\$ 1,467,627
Buildings	7,661,873	193,760		7,855,633
Furniture/Equipment	4,244,755	440,806		4,685,561
Vehicles	1,110,952	35,105		1,146,057
Construction in Progress	<u>151,500</u>	<u>311,556</u>		<u>463,056</u>
 Total	 <u>\$14,546,900</u>	 <u>\$1,071,034</u>	 <u>\$ 0</u>	 <u>\$15,617,934</u>

A summary of the Proprietary and Similar Fiduciary Funds fixed assets at June 30, 2000 follows:

	<u>Proprietary</u>
Furniture and Equipment	\$ 270,405
Less Accumulated Depreciation	<u>(229,056)</u>
 Net fixed Assets	 <u>\$ 41,349</u>

**9. CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

Each lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the

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Governmental Fund Types and Expendable Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in the amount of \$52,827, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2000 fiscal year totaled \$11,331, which retired the District's capital lease obligation. The District exercised its bargain purchase option, and took title to the equipment. This amount is reflected as debt service principal in the General fund.

**10. LONG-TERM DEBT**

A. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation payable will ultimately be paid from the fund from which the employee is paid.

	<u>Balance</u> <u>July 1, 1999</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2000</u>
Compensated Absences	\$ 867,117	\$674,897	\$(360,283)	\$1,181,731
Pension obligation payable	149,830	151,715	(149,830)	151,715
Capital Leases	11,331		(11,331)	0
Total	<u>\$1,028,278</u>	<u>\$826,612</u>	<u>\$(521,444)</u>	<u>\$1,333,446</u>

**B. Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$39,249,639 and an unvoted debt margin of \$436,107.

**11. RISK MANAGEMENT**

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

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

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 \$1,000,000 per claim and \$3,000,000 annual aggregate.

In past years, the District provided dental coverage to employees on a self-insured basis. This program was administered by an independent company. The estimated accrued liability for claims

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is determined by the independent company by examining payments made after the end of the fiscal year and accruing all expenses incurred during the fiscal year for the year end liability. The District terminated this plan as of June 30, 1999. The remaining claims liability of \$363 at June 30, 1999, which represented claims "run-out" of the previous self-insured plan, was paid during fiscal 2000.

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 1999.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**12. SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains three Enterprise funds to account for the operations of food service, uniform school supplies, and adult education programs. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenue	\$ 600,122	\$89,881	\$119,611	\$ 809,614
Depreciation Expense	3,435			3,435
Operating Loss	(319,612)	(7,994)	(12,530)	(340,136)
Non-operating revenues:				
Donated Federal Commodities	51,724			51,724
Operating Grants	97,121			97,121
Operating Transfers:				
In	138,000			138,000
Net Loss	(31,743)	(7,994)	(12,530)	(52,267)
Net Working Capital	(38,102)	15,928	85,261	63,087
Fixed Assets:				
Additions	4,000			4,000
Total Assets	52,952	20,194	103,054	176,200
Long-Term Liabilities				
Payable from Fund Revenue	11,786			11,786
Contributed Capital	21,499			21,499
Total Equity	(8,539)	15,928	85,261	92,650
Encumbrances Outstanding as of 06/30/00	64,065	816	11,321	76,202

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**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 basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$390,631, \$360,271, and \$352,815, respectively; 50 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$194,586, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$1,768,464, \$1,635,303, and \$1,657,034, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$298,804, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

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**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, 2000, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**14. POSTEMPLOYMENT BENEFITS**

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$1,010,551 during the 2000 fiscal year. As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000.

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

For this fiscal year, employer contributions to fund health care benefits were 8.45 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 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 2000 SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$236,662 during the 2000 fiscal year.

**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.



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

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

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

**Excess (Deficiency) of Revenues and Other Financing  
Sources Over (Under) Expenditures and Other Financing Uses  
Governmental Fund Types**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>
Budget Basis	\$704,759	\$(284,589)	\$(402,071)
Net Adjustment for Revenue Accruals	130,282	(4,214)	(1,741)
Net Adjustment for Expenditure Accruals	(18,445)	(37,808)	126,411
Net Adjustment for Other Sources/Uses	(127,096)	109,652	
Adjustment for Encumbrances	<u>280,676</u>	<u>293,146</u>	<u>441,017</u>
GAAP Basis	<u>\$970,176</u>	<u>\$ 76,187</u>	<u>\$ 163,616</u>

**16. CONTINGENT LIABILITIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and

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is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

**B. Litigation**

As of the balance sheet date the District was a defendant in a wrongful death and a deprivation of rights lawsuit. The District's liability is within its insurance coverage.

**C. School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$2,994,644 of school foundation support for its General fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program. The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**17. COMMUNITY REINVESTMENT AREA**

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

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**18. OUTSTANDING CONTRACTUAL COMMITMENTS**

At June 30, 2000, the District had the following outstanding contractual commitments.

<u>Purpose</u>	<u>Contractor</u>	<u>Amount</u>
Furniture	Seagate Office	\$ 40,006
High School Renovations	Lakeside	12,335
	Romanoff Electric	6,520
	Cisco	3,626
	Roger Barnes Co.	11,798
Asphalt Paving	Atlas Paving	224,275
Cafeteria Serving Lines	Arco	19,299
Painting	PTX Flooring	50,300
Ceiling Lights	Romanoff Electric	<u>12,769</u>
Total outstanding contractual commitments		<u>\$380,928</u>

**19. SIGNIFICANT SUBSEQUENT EVENTS**

The District approved a new labor contract with OAPSE, the classified employees' labor union, effective July 1, 2000. The District estimates the financial impact of increased wages and benefits to be \$236,191 annually over the 3 year life of the contract.

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**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2000**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Grant Number	Receipts	Non-Cash Receipts	Disburse- ment	Non-Cash Disburse- ment
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Breakfast	10.553	05-PU-99 05-PU-99	\$818		\$818	
Total - National School Breakfast			818		818	
National School Lunch	10.555	03-PU-99 03-PU-00 04-PU-99 04-PU-00	10,013 31,474 16,464 47,842		10,013 31,474 16,464 47,842	
Total - National School Lunch			105,793		105,793	
Food Distribution	10.550			\$50,398		\$51,724
Total Department of Agriculture - Nutrition Cluster			106,611	50,398	106,611	51,724
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Handicapped Preschool and School Programs, Title VI-B	84.027	6B-SF-99P 6B-SF-00P	16,590 140,023		24,959 171,076	
Total Special Education Cluster			156,613		196,035	
Title I	84.010	C1-S1-99 C1-S1-00	14,471 144,688		36,696 163,070	
Total - Title I			159,159		199,766	
Drug Free Schools	84.186	DR-S1-99 DR-S1-00	1,024 19,258		1,024 17,104	
Total - Drug Free Schools			20,282		18,128	
Goals 2000	84.276	G2-S2-99	81,425		72,084	
Innovative Educational Program Strategy	84.298	C2-S1-99 C2-S1-00	22,277		9,298 19,643	
Total - Innovative Educational Program Strategy			22,277		28,941	
Technology Literacy Challenge	84.318	TF-31-98P TF-31-99P TF-31-00P	100,000 27,000 125,000		250,117 27,042 62,500	
Total - Technology Literacy Challenge			252,000		339,659	
Eisenhower, ISAS Title II	84.281	MS-S1-00	8,512		16,884	
Class Size Reduction, ISAS Title VI	84.340	CR-S1-00	31,261		31,276	
Total Department of Education			731,529		902,773	
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$838,140</b>	<b>\$50,398</b>	<b>\$1,009,384</b>	<b>\$51,724</b>

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

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1998, the District had no significant food commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

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



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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

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

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, 2000, and have issued our report thereon dated March 29, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated March 29, 2001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 29, 2001.

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

This report is intended for the information and use of management, the 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.

**Jim Petro**  
Auditor of State

March 29, 2001





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

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

To the Board of Education:

**Compliance**

We have audited the compliance of Maumee City School District, Lucas County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. 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 District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about 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 District's compliance with those requirements.

In our opinion, 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, 2000.

**Internal Control Over Compliance**

The management of 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 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 management, the 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.

**Jim Petro**  
Auditor of State

March 29, 2001

**MAUMEE CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2000**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Technology Literacy Challenge CFDA #84.318
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: > \$ 100,000
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**MAUMEE CITY SCHOOL DISTRICT**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 10, 2001**