

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2006***

PAUL BROTZKI, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Maumee City School District
2345 Detroit Ave.
Maumee, Ohio 43537-3712

We have reviewed the *Independent Auditor's Report* of the Maumee City School District, Lucas County, prepared by Julian and Grube, Inc., for the audit period July 1, 2005 to June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Maumee City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 6, 2007

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Board of Education
Maumee City School District
2345 Detroit Avenue
Maumee, Ohio 43537

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Maumee City School District, Lucas County (the "District") as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Maumee City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Maumee City School District, Lucas County, Ohio, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2006 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Maumee City School District
Page Two

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 29, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The management's discussion and analysis of the Maumee City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities increased \$1,324,832 which represents a 15.92% increase from 2005.
- General revenues accounted for \$29,673,273 in revenue or 88.20% of all revenues. The District had a special item in the exchange of land for \$315,185. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,656,481 or 10.87% of total revenues of \$33,644,939.
- The District had \$32,320,107 in expenses related to governmental activities; \$3,656,481 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and the building fund. The general fund had \$25,855,990 in revenues and other financing sources and \$26,801,066 in expenditures and other financing uses. The fund deficit balance of the general fund increased from \$2,256,784 to \$3,204,262.
- The debt service fund had \$3,278,568 in revenues and \$3,002,890 in expenditures. The fund balance of the debt service fund increased from \$413,581 to \$689,259.
- The building fund had \$217,873 in revenues and \$5,654,928 in expenditures. The fund balance of the building fund decreased from \$8,863,610 to \$3,426,555.

Using this Financial Report

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District has three major funds: the general fund, debt service fund and building fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-21 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 22 and 23, these activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-49 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2006 and 2005.

	Net Assets	
	Governmental Activities 2006	Governmental Activities 2005
<u>Assets</u>		
Current and other assets	\$ 32,874,729	\$ 37,228,711
Capital assets	<u>48,043,825</u>	<u>42,190,440</u>
Total assets	<u>80,918,554</u>	<u>79,419,151</u>
<u>Liabilities</u>		
Current liabilities	27,791,139	26,553,519
Long-term liabilities	<u>43,480,720</u>	<u>44,543,769</u>
Total liabilities	<u>71,271,859</u>	<u>71,097,288</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	8,650,400	4,633,087
Restricted	5,624,671	6,000,761
Unrestricted (deficit)	<u>(4,628,376)</u>	<u>(2,311,985)</u>
Total net assets	<u>\$ 9,646,695</u>	<u>\$ 8,321,863</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$9,646,695

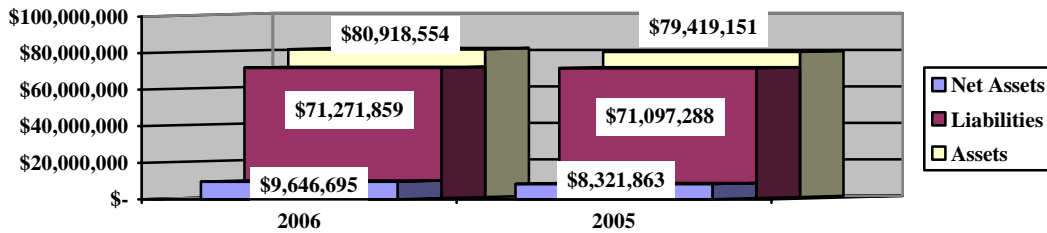
**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

At year-end, capital assets represented 59.37% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$8,650,400. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$5,624,671, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$4,130,734 is restricted for capital projects. The table below provides a summary of the District's net assets for 2006 and 2005.

Governmental Activities



The table below shows the change in net assets for fiscal years 2006 and 2005.

Change in Net Assets

	Governmental Activities 2006	Governmental Activities 2005
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,812,372	\$ 1,546,011
Operating grants and contributions	1,818,949	1,881,800
Capital grants and contributions	25,160	189,074
General revenues:		
Property taxes	23,017,064	21,190,776
Grants and entitlements	6,185,358	6,119,444
Investment earnings	387,620	668,190
Other	83,231	60,715
Special item: Exchange of land	315,185	-
Total revenues	33,644,939	31,656,010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Change in Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 14,875,179	\$ 14,681,936
Special	3,154,559	2,827,725
Vocational	359,501	357,706
Adult/continuing	129,732	-
Other	311,211	414,380
Support services:		
Pupil	1,149,561	1,328,732
Instructional staff	593,605	686,970
Board of education	33,924	188,468
Administration	2,420,059	2,328,311
Fiscal	637,243	613,792
Business	185,074	191,350
Operations and maintenance	3,136,560	2,779,643
Pupil transportation	785,923	746,125
Central	224,595	203,240
Operations of non-instructional services	32,637	26,582
Food service operations	904,384	987,200
Extracurricular activities	1,041,266	985,845
Intergovernmental-pass through	541,248	558,589
Interest and fiscal charges	<u>1,803,846</u>	<u>1,824,595</u>
Total	<u>32,320,107</u>	<u>31,731,189</u>
Change in net assets	1,324,832	(75,179)
Net assets at beginning of year	<u>8,321,863</u>	<u>8,397,042</u>
Net assets at end of year	<u>\$ 9,646,695</u>	<u>\$ 8,321,863</u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,324,832. Total governmental expenses of \$32,320,107 were offset by program revenues of \$3,656,481, general revenues of \$29,673,273 and a special item of \$315,185. Program revenues supported 11.31% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 86.80% of total governmental revenue. Real estate property is reappraised every six years. As a result of the latest update by Lucas County in 2003, the District's tax valuation increased by 4.56% on average.

Voters approved a \$42,000,000 bond levy in May 2003. This levy, which generates approximately \$2,552,878 per year for 28 years, is expected to provide revenue for debt service through fiscal year 2031. In November 2005 voters approved a 4.8 mill continuing operating levy.

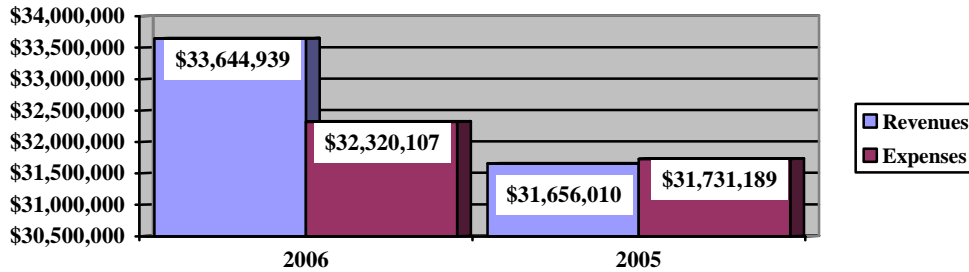
**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The District's financial condition had remained strong throughout the years, primarily due to the Arrowhead Industrial Park, a business community predominately located within the boundaries of the District. Unfortunately, with the passage of HB 66 the Tangible Personal Property Tax is being phased out over time, and with increased assessed valuation locally, the District will be receiving a reduction in state support. The state per pupil increase of 2.2% per year in fiscal years 2006 and 2007 will not be great enough for the District to overcome the foundation formula charge-off increases due to assessed valuation changes and the elimination of the Cost of Doing Business Factor. The District is projecting no additional state funding in future years.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2006 and 2005.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

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

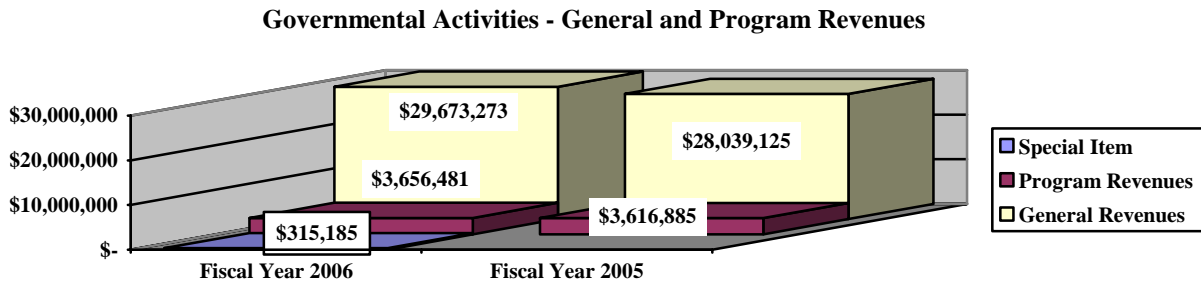
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Governmental Activities

	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Program expenses				
Instruction:				
Regular	\$ 14,875,179	\$ 14,231,732	\$ 14,681,936	\$ 13,959,467
Special	3,154,559	2,543,810	2,827,725	2,240,628
Vocational	359,501	359,501	357,706	357,706
Adult/continuing	129,732	129,732	-	-
Other	311,211	219,935	414,380	357,552
Support services:				
Pupil	1,149,561	1,149,561	1,328,732	1,328,732
Instructional staff	593,605	412,949	686,970	487,260
Board of education	33,924	33,924	188,468	188,468
Administration	2,420,059	2,420,059	2,328,311	2,314,002
Fiscal	637,243	627,338	613,792	604,988
Business	185,074	29,950	191,350	46,875
Operations and maintenance	3,136,560	3,112,319	2,779,643	2,703,838
Pupil transportation	785,923	785,923	746,125	743,101
Central	224,595	186,868	203,240	166,441
Operation of non-instructional services	32,637	20,229	26,582	22,642
Food service operations	904,384	(56,095)	987,200	70,808
Extracurricular activities	1,041,266	710,067	985,845	671,644
Intergovernmental pass-through	541,248	(58,022)	558,589	25,557
Interest and fiscal charges	<u>1,803,846</u>	<u>1,803,846</u>	<u>1,824,595</u>	<u>1,824,595</u>
Total	<u>\$ 32,320,107</u>	<u>\$ 28,663,626</u>	<u>\$ 31,731,189</u>	<u>\$ 28,114,304</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 92.85% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.69%. The District's taxpayers, as a whole, are by far the primary support for District students.

The graph below presents the District's governmental activities revenue for fiscal years 2006 and 2005.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$2,240,411, which is lower than last year's total of \$8,129,048. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance (Deficit) <u>June 30, 2006</u>	Fund Balance (Deficit) <u>June 30, 2005</u>	<u>Decrease</u>
General	\$ (3,204,262)	\$ (2,256,784)	\$ (947,478)
Debt Service	689,259	413,581	275,678
Building	3,426,555	8,863,610	(5,437,055)
Other Governmental	<u>1,328,859</u>	<u>1,108,641</u>	<u>220,218</u>
Total	<u>\$ 2,240,411</u>	<u>\$ 8,129,048</u>	<u>\$ (5,888,637)</u>

General Fund

During fiscal year 2006, the District's general fund balance deficit increased by \$947,478. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2006 Amount</u>	<u>2005 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 19,440,193	\$ 18,299,096	6.24 %
Tuition	301,204	195,290	54.23 %
Earnings on investments	165,653	121,900	35.89 %
Intergovernmental	5,819,703	5,774,447	0.78 %
Other revenues	<u>128,646</u>	<u>93,356</u>	37.80 %
Total	<u>\$ 25,855,399</u>	<u>\$ 24,484,089</u>	5.60 %
<u>Expenditures</u>			
Instruction	\$ 17,055,180	\$ 16,543,338	3.09 %
Support services	8,989,984	8,535,339	5.33 %
Operation of non-instructional services	2,537	791	220.73 %
Extracurricular activities	<u>678,365</u>	<u>681,414</u>	(0.45) %
Total	<u>\$ 26,726,066</u>	<u>\$ 25,760,882</u>	3.75 %

General Fund Budgeting Highlights

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

During the course of fiscal year 2006, the District amended its general fund budgeted revenue. For the general fund, original budgeted revenues and other financing sources of \$26,650,000 were decreased to \$24,946,400 in the final budget. Actual revenues and other financing sources for fiscal 2006 were \$25,620,879 which was \$674,479 more than the final budgeted revenues.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

General fund original appropriations (appropriated expenditures plus other financing uses) of \$25,264,834 were increased \$1,576,306 to \$26,841,140 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$26,331,120, which was \$510,020 lower than the final budget appropriations.

Debt Service Fund

During fiscal year 2006, the District's debt service fund balance increased \$275,678. The debt service fund had \$3,278,568 in revenues and \$3,002,890 in expenditures. The fund balance of the debt service fund increased from \$413,581 to \$689,259.

Building Fund

During fiscal year 2006, the District's building fund balance decreased \$5,437,055 due to the various district building projects. The building fund had \$217,873 in revenues and \$5,654,928 in expenditures. The fund balance of the building fund decreased from \$8,863,610 to \$3,426,555.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the District had \$48,043,825 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

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

	Governmental Activities	
	2006	2005
Land	\$ 1,014,174	\$ 698,989
Construction in progress	7,000	34,330,552
Land improvements	269,103	317,265
Buildings and improvements	46,023,881	6,039,220
Furniture and equipment	452,621	440,954
Vehicles	277,046	363,460
Total	\$ 48,043,825	\$ 42,190,440

Total additions to capital assets for 2006 were \$6,762,414. The overall increase in capital assets of \$5,853,385 is primarily due to capital outlays exceeding the \$909,029 in depreciation expense for fiscal 2006.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2006, the District had \$39,980,000 in general obligation bonds outstanding. Of this total, \$1,200,000 is due within one year and \$38,780,000 is due in greater than one year. The following table summarizes the bonds outstanding.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Outstanding Debt, at Year End

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
General Obligation Notes:		
General obligation bonds	<u>\$ 39,980,000</u>	<u>\$ 41,155,000</u>
Total	<u>\$ 39,980,000</u>	<u>\$ 41,155,000</u>

At June 30, 2006, the District's overall legal debt margin was \$10,371,368 with an unvoted debt margin of \$551,801.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

Current Related Financial Activities

Traditionally, the District has had a strong financial base and a somewhat stable revenue source. As the preceding information shows, the District relies heavily on property (real and personal tangible) taxes and the state foundation program. The District is always presented with challenges and opportunities, including national economic events, new and recently enacted legislation eliminating the tangible personal property tax base and the No Child Left Behind Act.

Considering the external economic challenges, the District's financial outlook is not as solid as many believe. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. In spite of the projected monetary shortfall the District continues to perform at one of the highest levels determined by the State of Ohio, which is measured by a defined set of proficiency criteria. Our most recent state report card shows the District's students achieving 23 of 24 indicators earning the district its first ever EXCELLENT rating.

The District has communicated to its community that it relies upon their support for the major part of its operations, and will continue to diligently control expenses in an effort to stay within the District's five year financial plan. State law retards the growth of income generated by local levies rendering revenue relatively constant. This lack of revenue growth forces the District to go to the voters periodically to ask for additional financial support.

A challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Subsequent decisions by the Supreme Court has upheld this earlier decision. Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 6,099,363
Receivables:	
Taxes	25,501,880
Accounts	1,278
Intergovernmental	627,000
Accrued interest	38,065
Materials and supplies inventory.	20,568
Unamortized bond issue costs	586,575
Capital assets:	
Land	1,014,174
Construction in progress	7,000
Depreciable capital assets, net	47,022,651
Capital assets, net.	<u>48,043,825</u>
 Total assets.	 <u>80,918,554</u>
Liabilities:	
Accounts payable.	164,629
Contracts payable.	76,396
Accrued wages and benefits	2,597,472
Pension obligation payable.	677,284
Intergovernmental payable	1,067,168
Deferred revenue	23,056,845
Accrued interest payable	151,345
Long-term liabilities:	
Due within one year.	1,311,252
Due in more than one year	42,169,468
Total liabilities	<u>71,271,859</u>
Net Assets:	
Invested in capital assets, net of related debt.	8,650,400
Restricted for:	
Capital projects	4,130,734
Debt service.	750,229
Locally funded programs	105,269
State funded programs	67,355
Federally funded programs	33,723
Student activities	109,078
Public school support.	276,957
Other purposes	151,326
Unrestricted (deficit)	<u>(4,628,376)</u>
 Total net assets	 <u>\$ 9,646,695</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 14,875,179	\$ 439,691	\$ 178,596	\$ 25,160	\$ (14,231,732)
Special	3,154,559	22,778	587,971	-	(2,543,810)
Vocational	359,501	-	-	-	(359,501)
Adult/continuing	129,732	-	-	-	(129,732)
Other	311,211	91,276	-	-	(219,935)
Support services:					
Pupil	1,149,561	-	-	-	(1,149,561)
Instructional staff	593,605	-	180,656	-	(412,949)
Board of education	33,924	-	-	-	(33,924)
Administration	2,420,059	-	-	-	(2,420,059)
Fiscal	637,243	-	9,905	-	(627,338)
Business	185,074	155,124	-	-	(29,950)
Operations and maintenance	3,136,560	20,448	3,793	-	(3,112,319)
Pupil transportation	785,923	-	-	-	(785,923)
Central	224,595	-	37,727	-	(186,868)
Operation of non-instructional services	32,637	10,010	2,398	-	(20,229)
Food service operations	904,384	656,661	303,818	-	56,095
Extracurricular activities	1,041,266	331,199	-	-	(710,067)
Intergovernmental	541,248	85,185	514,085	-	58,022
Interest and fiscal charges	1,803,846	-	-	-	(1,803,846)
Total governmental activities	\$ 32,320,107	\$ 1,812,372	\$ 1,818,949	\$ 25,160	(28,663,626)
General Revenues:					
Property taxes levied for:					
General purposes					19,697,428
Debt service					3,096,798
Capital outlay					222,838
Grants and entitlements not restricted to specific programs					6,185,358
Investment earnings					387,620
Miscellaneous					83,231
Total general revenues					29,673,273
Special Item:					
Gain on exchange of land					315,185
Change in net assets					1,324,832
Net assets at beginning of year					8,321,863
Net assets at end of year					\$ 9,646,695

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 372,631	\$ 583,708	\$ 3,502,951	\$ 1,503,241	\$ 5,962,531
Receivables:					
Taxes	22,317,003	3,184,877	-	-	25,501,880
Accounts	1,278	-	-	-	1,278
Intergovernmental	598,277	-	-	28,723	627,000
Accrued interest	38,065	-	-	-	38,065
Materials and supplies inventory	12,547	-	-	8,021	20,568
Restricted assets:					
Equity in pooled cash and cash equivalents	136,832	-	-	-	136,832
Total assets	<u>\$ 23,476,633</u>	<u>\$ 3,768,585</u>	<u>\$ 3,502,951</u>	<u>\$ 1,539,985</u>	<u>\$ 32,288,154</u>
Liabilities:					
Accounts payable	\$ 140,651	\$ -	\$ -	\$ 23,978	\$ 164,629
Contracts payable	-	-	76,396	-	76,396
Accrued wages and benefits	2,551,363	-	-	46,109	2,597,472
Compensated absences payable	56,526	-	-	-	56,526
Pension obligation payable	642,604	-	-	34,680	677,284
Intergovernmental payable	995,407	-	-	71,761	1,067,168
Deferred revenue	22,294,344	3,079,326	-	34,598	25,408,268
Total liabilities	<u>26,680,895</u>	<u>3,079,326</u>	<u>76,396</u>	<u>211,126</u>	<u>30,047,743</u>
Fund Balances:					
Reserved for encumbrances	35,551	-	969,601	22,201	1,027,353
Reserved for BWC refunds	121,957	-	-	-	121,957
Reserved for school bus purchases	14,875	-	-	-	14,875
Reserved for materials and supplies inventory	12,547	-	-	8,021	20,568
Reserved for property tax unavailable for appropriation	393,716	71,284	-	-	465,000
Reserved for debt service	-	617,975	-	-	617,975
Unreserved, undesignated (deficit), reported in:					
General fund	(3,782,908)	-	-	-	(3,782,908)
Special revenue funds	-	-	-	596,921	596,921
Capital projects funds	-	-	2,456,954	701,716	3,158,670
Total fund balances (deficit)	<u>(3,204,262)</u>	<u>689,259</u>	<u>3,426,555</u>	<u>1,328,859</u>	<u>2,240,411</u>
Total liabilities and fund balances	<u>\$ 23,476,633</u>	<u>\$ 3,768,585</u>	<u>\$ 3,502,951</u>	<u>\$ 1,539,985</u>	<u>\$ 32,288,154</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total governmental fund balances		\$	2,240,411
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			48,043,825
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	2,342,033	
Accrued interest		9,390	
Total			2,351,423
Unamortized premiums on bond issuance is not recognized in the funds.			(1,147,926)
Unamortized bond issuance costs are not recognized in the funds.			586,575
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.			(151,345)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		39,980,000	
Compensated absences		2,296,268	
Total			(42,276,268)
Net assets of governmental activities		\$	9,646,695

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/(DEFICIT)
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 19,440,193	\$ 2,899,053	\$ -	\$ 238,797	\$ 22,578,043
Tuition	301,204	-	-	91,276	392,480
Charges for services	-	-	-	656,661	656,661
Earnings on investments.	165,653	35,533	191,013	1,557	393,756
Extracurricular.	-	-	-	229,860	229,860
Classroom materials and supplies	49,990	-	-	161,184	211,174
Donations	-	-	25,160	-	25,160
Other local revenues.	78,656	-	1,700	324,482	404,838
Intergovernmental - State	5,819,703	343,982	-	609,467	6,773,152
Intergovernmental - Federal.	-	-	-	1,231,154	1,231,154
Total revenue	<u>25,855,399</u>	<u>3,278,568</u>	<u>217,873</u>	<u>3,544,438</u>	<u>32,896,278</u>
Expenditures:					
Current:					
Instruction:					
Regular	13,744,039	-	-	416,353	14,160,392
Special.	2,561,560	-	-	601,082	3,162,642
Vocational.	438,074	-	-	-	438,074
Adult/continuing	296	-	-	129,436	129,732
Other.	311,211	-	-	-	311,211
Support Services:					
Pupil.	1,305,161	-	-	-	1,305,161
Instructional staff	381,848	-	-	205,625	587,473
Board of education	33,924	-	-	-	33,924
Administration.	2,531,885	-	-	-	2,531,885
Fiscal	639,257	-	-	9,694	648,951
Business	48,780	-	-	138,241	187,021
Operations and maintenance.	3,164,616	-	-	70,103	3,234,719
Pupil transportation	696,970	-	-	-	696,970
Central.	187,543	-	-	38,553	226,096
Operation of non-instructional services	2,537	-	-	9,047	11,584
Food service operations	-	-	-	890,385	890,385
Extracurricular activities.	678,365	-	-	290,839	969,204
Intergovernmental	-	-	-	541,248	541,248
Facilities acquisition and construction	-	-	5,654,928	60,595	5,715,523
Debt service:					
Principal retirement	-	1,175,000	-	-	1,175,000
Interest and fiscal charges	-	1,827,890	-	-	1,827,890
Total expenditures	<u>26,726,066</u>	<u>3,002,890</u>	<u>5,654,928</u>	<u>3,401,201</u>	<u>38,785,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(870,667)</u>	<u>275,678</u>	<u>(5,437,055)</u>	<u>143,237</u>	<u>(5,888,807)</u>

Continued

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/(DEFICIT)
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):					
Sale of capital assets	\$ 591	\$ -	\$ -	\$ -	\$ 591
Transfers in	-	-	-	75,000	75,000
Transfers (out)	(75,000)	-	-	-	(75,000)
Total other financing sources (uses)	<u>(74,409)</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>591</u>
Net change in fund balances	(945,076)	275,678	(5,437,055)	218,237	(5,888,216)
Fund balances (deficit) at beginning of year	(2,256,784)	413,581	8,863,610	1,108,641	8,129,048
Increase (decrease) in reserve for inventory	(2,402)	-	-	1,981	(421)
Fund balances (deficit) at end of year	<u><u>\$ (3,204,262)</u></u>	<u><u>\$ 689,259</u></u>	<u><u>\$ 3,426,555</u></u>	<u><u>\$ 1,328,859</u></u>	<u><u>\$ 2,240,411</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$	(5,888,216)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$6,762,414) exceeds depreciation expense (\$909,029) in the current period.		5,853,385
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		(421)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		432,885
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		1,175,000
Premiums on debt issuances are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		45,164
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		(23,078)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		1,958
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(271,845)
		(271,845)
Change in net assets of governmental activities	\$	1,324,832

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 19,937,653	\$ 18,914,000	\$ 19,167,738	\$ 253,738
Tuition.	313,302	225,000	301,204	76,204
Earnings on investments.	165,966	155,000	159,557	4,557
Classroom materials and supplies	51,998	28,500	49,990	21,490
Other local revenues.	83,381	73,500	80,161	6,661
Intergovernmental - State	6,053,465	5,512,750	5,819,703	306,953
Intergovernmental - Federal.	-	1,500	-	(1,500)
Total revenue	<u>26,605,765</u>	<u>24,910,250</u>	<u>25,578,353</u>	<u>668,103</u>
Expenditures:				
Current:				
Instruction:				
Regular	12,916,640	13,863,463	13,461,779	401,684
Special.	2,376,936	2,266,768	2,477,253	(210,485)
Vocational.	387,654	395,118	404,015	(8,897)
Adult/Continuing.	284	1,440	296	1,144
Other.	300,111	322,000	312,777	9,223
Support Services:				
Pupil.	1,248,775	1,341,460	1,301,479	39,981
Instructional staff	371,450	404,513	387,127	17,386
Board of education	34,767	54,380	36,234	18,146
Administration.	2,392,768	2,583,036	2,493,753	89,283
Fiscal	610,878	659,468	636,660	22,808
Business	47,947	55,956	49,971	5,985
Operations and maintenance.	2,993,820	3,211,353	3,120,172	91,181
Pupil transportation	693,612	746,838	722,885	23,953
Central.	179,773	200,440	187,360	13,080
Operation of non-instructional services	2,263	2,918	2,358	560
Extracurricular activities.	635,193	656,989	662,001	(5,012)
Total expenditures	<u>25,192,871</u>	<u>26,766,140</u>	<u>26,256,120</u>	<u>510,020</u>
Excess of revenues over (under) expenditures.	<u>1,412,894</u>	<u>(1,855,890)</u>	<u>(677,767)</u>	<u>1,178,123</u>
Other financing sources (uses):				
Refund of prior year expenditure	1,732	150	1,665	1,515
Transfers (out)	(71,963)	(75,000)	(75,000)	-
Advances in.	41,888	35,000	40,270	5,270
Sale of capital assets.	615	1,000	591	(409)
Total other financing sources (uses)	<u>(27,728)</u>	<u>(38,850)</u>	<u>(32,474)</u>	<u>6,376</u>
Net change in fund balance	1,385,166	(1,894,740)	(710,241)	1,184,499
Fund balance at beginning of year	1,047,232	1,047,232	1,047,232	-
Prior year encumbrances appropriated	57,666	57,666	57,666	-
Fund balance at end of year.	<u>\$ 2,490,064</u>	<u>\$ (789,842)</u>	<u>\$ 394,657</u>	<u>\$ 1,184,499</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 119,534	\$ 31,514
Total assets	119,534	\$ 31,514
Liabilities:		
Accounts payable	8,941	\$ 625
Due to students	-	30,889
Total liabilities	8,941	\$ 31,514
Net Assets:		
Held in trust for scholarships	110,593	
Total net assets	\$ 110,593	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 3,255
Gifts and contributions.	66,032
	69,287
Total additions.	69,287
Deductions:	
Scholarships awarded	42,967
	26,320
Change in net assets	26,320
Net assets at beginning of year.	84,273
Net assets at end of year	\$ 110,593

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District ranks as the 170th largest by enrollment among the 615 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 16 administrators 12 non-certified, 212 certified full-time and part-time employees to provide services to approximately 2,774 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

JOINTLY GOVERNED ORGANIZATION

Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of education entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$133,021. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

Northern Buckeye Education Council

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

Penta Career Center

The Penta Career Center (the "Center") is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Center accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District. The District did not make any payments to the Center during fiscal year 2006. Financial information can be obtained from the Penta County Career Center, Carrie Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551-4594.

Bay Area Council

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment.

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Lucas County Budget Commission for rate determination. The Lucas County Budget Commission waived the tax budget filing requirement for the fiscal year 2006.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' 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 the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the fund level of control. Any revisions that alter appropriations at the fund level must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, all supplemental appropriations were legally enacted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

F. Cash and Investments

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

During fiscal year 2006, investments were limited to federal agency securities, U.S. Government money market mutual fund, and investments in the State Asset Treasury Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal 2006. 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, 2006.

Under existing Ohio statutes all investment earnings are assigned to the general unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$165,653 includes \$106,726 assigned from other funds.

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

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

G. Inventory

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

H. Capital Assets

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

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

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

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

I. Compensated Absences

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Fund Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, tax advance unavailable for appropriation, debt service, school bus purchases, and BWC refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute.

L. Net Assets

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2006, net assets restricted by enabling legislation was \$0 in the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

M. Estimates

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

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 15 for details.

O. Interfund Activity

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

P. Parochial Schools

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

Q. Unamortized Bond Issuance Costs and Bond Premium

On government-wide financial statements, bonds issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the financial statements.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District exchanged land and received property in the amount of \$315,185 during fiscal year 2006, which is reported as a special item on the Statement of Activities. The land the District traded in the exchange will be reported as a special item during fiscal year 2007, as the property was still being used by the District at June 30, 2006.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries," GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

	Deficit
General Fund	\$ 3,204,262
<u>Nonmajor Funds</u>	
Education Management - Information Systems	327
SchoolNet Professional Development	1,888
Ohio Reads	518
Title VI-B	72,367
Title I	2,234
Title VI	90
Class Size Reduction	2,205

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

C. Noncompliance

i. In noncompliance with Ohio Revised Code Section 5705.39, the following funds had appropriations in excess of estimated resources for the fiscal year ended June 30, 2006:

Fund Type	Fund	Excess
General	General	\$ 789,842
Special Revenue	Special Levy	1,524
Special Revenue	Management Information System	8,600
Special Revenue	Ohio Reads	2,760
Special Revenue	Miscellaneous State Grants	2,054
Special Revenue	Food Services	106,670

ii. In noncompliance with Ohio Revised Code Section 5705.41(B), the following funds had expenditures in excess of appropriations for the fiscal year ended June 30, 2006:

Fund Type	Fund	Excess
Special Revenue	Miscellaneous State Grants	\$ 2,054
Special Revenue	E-Rate	49,273
Special Revenue	Special Enterprise	3,231

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

Interim monies to 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool, State Treasury Asset Reserve of Ohio (STAR Ohio);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At year-end, the District had \$9,090 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$2,425,300. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$2,252,409 of the District's bank balance of \$2,452,409 was exposed to custodial risk as discussed below, while \$200,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
FHLB	\$ 916,346	\$ 323,375	\$ 592,971	\$ -	\$ -
FNMA	2,103,249	971,142	1,132,107	-	-
FHLMC	596,619	299,487	297,132		
U.S. Government money market	3,913	3,913	-	-	-
STAR Ohio	195,894	195,894	-	-	-
	<u>\$ 3,816,021</u>	<u>\$ 1,793,811</u>	<u>\$ 2,022,210</u>	<u>\$ -</u>	<u>\$ -</u>

The weighted average maturity of investments is .43 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 916,346	24.01
FNMA	2,103,249	55.13
FHLMC	596,619	15.63
U.S. Government money market	3,913	0.10
STAR Ohio	195,894	5.13
	<u>\$3,816,021</u>	<u>100.00</u>

**MAUMEE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 2,425,300
Investments	3,816,021
Cash on hand	9,090
Total	<u>\$ 6,250,411</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 6,099,363
Private-purpose trust fund	119,534
Agency fund	31,514
Total	<u>\$ 6,250,411</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 75,000

All transfers made in fiscal year 2006 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2005, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Lucas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$393,716 in the general fund and \$71,284 in the debt service fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2005 was \$193,407 in the general fund, \$26,880 in the debt service fund and \$6,044 in the permanent improvement fund.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and ther real estate	\$ 444,765,130	82.95	\$ 467,487,870	84.72
Public utility personal	13,498,630	2.51	11,808,000	2.14
Tangible personal property	<u>77,949,099</u>	<u>14.54</u>	<u>72,505,336</u>	<u>13.14</u>
Total	<u>\$ 536,212,859</u>	<u>100.00</u>	<u>\$ 551,801,206</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 74.40		\$ 77.80	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the Statement of Net Assets follows:

Governmental Activities	
Property taxes	\$ 25,501,880
Accounts	1,278
Intergovernmental	627,000
Accrued interest	<u>38,065</u>
Total	<u>\$ 26,168,223</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 698,989	\$ 315,185	\$ -	\$ 1,014,174
Construction in progress	<u>34,330,552</u>	<u>7,000</u>	<u>(34,330,552)</u>	<u>7,000</u>
Total capital assets, not being depreciated	<u>35,029,541</u>	<u>322,185</u>	<u>(34,330,552)</u>	<u>1,021,174</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,889,021	-	-	1,889,021
Buildings and improvements	12,549,354	40,647,888	-	53,197,242
Furniture and equipment	1,811,369	122,893	(17,360)	1,916,902
Vehicles	<u>1,302,209</u>	<u>-</u>	<u>-</u>	<u>1,302,209</u>
Total capital assets, being depreciated	<u>17,551,953</u>	<u>40,770,781</u>	<u>(17,360)</u>	<u>58,305,374</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,571,756)	(48,162)	-	(1,619,918)
Buildings and improvements	(6,510,134)	(663,227)	-	(7,173,361)
Furniture and equipment	(1,370,415)	(111,226)	17,360	(1,464,281)
Vehicles	<u>(938,749)</u>	<u>(86,414)</u>	<u>-</u>	<u>(1,025,163)</u>
Total accumulated depreciation	<u>(10,391,054)</u>	<u>(909,029)</u>	<u>17,360</u>	<u>(11,282,723)</u>
Governmental activities capital assets, net	<u>\$ 42,190,440</u>	<u>\$ 40,183,937</u>	<u>\$ (34,330,552)</u>	<u>\$ 48,043,825</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 464,774
Special	53,260

Support Services:

Pupil	2,929
Instructional staff	42,621
Administration	49,761
Fiscal	2,603
Business	2,032
Operations and maintenance	26,127
Pupil transportation	84,965
Central	3,310
Intergovernmental	21,299
Extracurricular activities	112,879
Food service operations	<u>42,469</u>
Total depreciation expense	<u>\$ 909,029</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	Balance <u>June 30, 2005</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2006</u>	Amount Due in <u>One Year</u>
General obligation bonds	\$ 41,155,000	\$ -	\$ (1,175,000)	\$ 39,980,000	\$ 1,200,000
Compensated absences	<u>2,195,679</u>	<u>255,522</u>	<u>(98,407)</u>	<u>2,352,794</u>	<u>111,252</u>
Total	<u>\$ 43,350,679</u>	<u>\$ 255,522</u>	<u>\$ (1,273,407)</u>	42,332,794	<u>\$ 1,311,252</u>
Unamortized premium on bond issue				<u>1,147,926</u>	
Total on Statement of Net Assets				<u>\$ 43,480,720</u>	

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

General Obligation Bonds - During fiscal year 2004, the District issued \$42,000,000 in school facilities construction and improvement general obligation bonds to provide funds for various District building projects. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to the bonds are recorded as expenditures in the debt service fund.

The bonds were issued on August 1, 2003, and have a scheduled maturity date of December 1, 2031. Interest payments on the general obligation bonds are due on June 1 and December 1 of each year.

The following is a schedule of activity for fiscal 2006 on the general obligation bonds:

Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,200,000	\$ 1,804,140	\$ 3,004,140
2008	1,375,000	1,778,390	3,153,390
2009	1,400,000	1,736,640	3,136,640
2010	850,000	1,697,165	2,547,165
2011	950,000	1,671,440	2,621,440
2012 - 2016	5,320,000	7,724,100	13,044,100
2017 - 2021	6,760,000	6,242,950	13,002,950
2022 - 2026	8,625,000	4,329,575	12,954,575
2027 - 2031	10,985,000	1,923,283	12,908,283
2032	<u>2,515,000</u>	<u>58,445</u>	<u>2,573,445</u>
Total	<u>\$ 39,980,000</u>	<u>\$ 28,966,128</u>	<u>\$ 68,946,128</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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, 2006 are a voted debt margin of \$10,371,368 (including available funds of \$689,259) and an unvoted debt margin of \$551,801.

NOTE 10 - RISK MANAGEMENT

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

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

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

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

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from 2005.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12. As such, no funding provisions are required by the District.

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 11 - PENSION PLANS - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$350,557, \$347,113, and \$284,175; 48.01 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$182,260 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 11.70 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 11 - PENSION PLANS - (Continued)

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,987,567, \$1,926,336 and \$1,893,832; 83.07 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$12,570 made by the District and \$21,696 made by the plan members.

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, 2006, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (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.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$152,890 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$179,706 to fund health care benefits, including the surcharge.

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 for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	<u>General Fund</u>
Budget basis	\$ (710,241)
Net adjustment for revenue accruals	277,046
Net adjustment for expenditure accruals	(609,930)
Net adjustment for other sources/uses	(41,935)
Adjustment for encumbrances	<u>139,984</u>
GAAP basis	<u>\$ (945,076)</u>

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 15 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2005	\$ (2,053,381)	\$ (42,026,495)	\$ 121,957
Current year set-aside requirement	401,625	401,625	-
Qualifying disbursements	<u>(414,278)</u>	<u>(7,351,809)</u>	<u>-</u>
Total	<u>\$ (2,066,034)</u>	<u>\$ (48,976,679)</u>	<u>\$ 121,957</u>
Cash balance carried forward to FY 2007	<u>\$ (2,066,034)</u>	<u>\$ (42,026,495)</u>	<u>\$ 121,957</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 15 - STATUTORY RESERVES - (Continued)

The District issued \$42,000,000 in bonds in fiscal 2004 to provide for the construction and renovation of school buildings. This amount was an allowable offset to future years for the capital acquisition set-aside and thus the excess amount is being carried forward.

A schedule of the restricted assets at June 30, 2006 follows:

Amount restricted for BWC refunds	\$ 121,957
Amount restricted for school bus purchases	<u>14,875</u>
Total restricted assets	<u>\$ 136,832</u>

NOTE 16 - COMMUNITY REINVESTMENT AREA

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

SUPPLEMENTAL DATA

MAUMEE CITY SCHOOL DISTRICT
 SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A) (B) Food Donation	10.550	N/A	\$ -	\$ 107,710	\$ -	\$ 107,710
(A) (C) School Breakfast Program	10.553	044362-05PU-2005	499	-	499	-
(A) (C) School Breakfast Program	10.553	044362-05PU-2006	3,722	-	3,722	-
(A) (C) National School Lunch Program	10.555	044362-LLP4-2005	22,631	-	22,631	-
(A) (C) National School Lunch Program	10.555	044362-LLP4-2006	135,401	-	135,401	-
Total U.S. Department of Agriculture and Nutrition Cluster			<u>162,253</u>	<u>107,710</u>	<u>162,253</u>	<u>107,710</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
Title I Grants to Local Educational Agencies	84.010	044362-CIS1-2006	<u>105,006</u>		<u>105,006</u>	
(D) Special Education Grants to States	84.027	044362-6BSD-2005	1,483		-	
Special Education Grants to States	84.027	044362-6BSF-2005	(22,612)		-	
Special Education Grants to States	84.027	044362-6BSF-2006	715,966		715,966	
Total Special Education Grants to States			<u>694,837</u>		<u>715,966</u>	
Javits Gifted and Talented Students Education Grant Program	84.206	044362-JGS1-2006	<u>7,777</u>		<u>4,914</u>	
State Grants for Innovative Programs	84.298	044362-C2S1-2006	<u>10,374</u>		<u>10,374</u>	
Safe and Drug-Free Schools and Communities State Grants	84.186	044362-DRS-2006	<u>8,018</u>		<u>8,018</u>	
Education Technology State Grants	84.318	044362-TJS1-2006	<u>1,911</u>		<u>1,911</u>	
Advanced Placement Program	84.330	AVS1-2001	<u>1,925</u>		<u>1,925</u>	
Improving Teacher Quality State Grants	84.367	044362-TRS1-2006	<u>67,213</u>		<u>67,213</u>	
Total U.S. Department of Education			<u>897,060</u>		<u>915,327</u>	
Total Federal Financial Assistance			<u>\$ 1,059,313</u>	<u>\$ 107,710</u>	<u>\$ 1,077,580</u>	<u>\$ 107,710</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
 (B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
 (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
 (D) Amount of \$22,612 transferred to the next grant year based on Ohio Department of Education administrative action.
 (E) This schedule was prepared on the cash basis of accounting.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Education
Maumee City School District
2345 Detroit Avenue
Maumee, Ohio 43537

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Maumee City School District (the "District"), Lucas County, as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Maumee City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 we have reported to the management of Maumee City School District in a separate letter dated November 29, 2006.

Board of Education
Maumee City School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maumee City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-MCSD-001 and 2005-MCSD-002. We also noted certain matters that we have reported to the management of Maumee City School District in a separate letter dated November 29, 2006.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 29, 2006



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Its
Major Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133**

Board of Education
Maumee City School District
2345 Detroit Avenue
Maumee, Ohio 43537

Compliance

We have audited the compliance of the Maumee City School 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 its major federal program for the fiscal year ended June 30, 2006. The Maumee City School District's major federal program is 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 its major federal program is the responsibility of the Maumee City School District's management. Our responsibility is to express an opinion on the Maumee City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Maumee City School 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 Maumee City School District's compliance with those requirements.

Board of Education
Maumee City School District

In our opinion, Maumee City School District, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2006.

Internal Control Over Compliance

The management of Maumee City School 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 Maumee City School 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 the 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 reportable 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 caused by error or fraud 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 solely for the information and use of management, the Board of Education of Maumee City School District, 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.



Julian & Grube, Inc.
November 29, 2006

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

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

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2006-MCSD-001

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed total estimated resources.

It was noted during the audit that total appropriations exceeded the total estimated resources in the following funds for the fiscal year ended June 30, 2006:

Fund Type	Fund	Excess
General	General	\$ 789,842
Special Revenue	Special Levy	1,524
Special Revenue	Management Information System	8,600
Special Revenue	Ohio Reads	2,760
Special Revenue	Miscellaneous State Grants	2,054
Special Revenue	Food Services	106,670

With appropriations exceeding estimated resources, the Maumee City School District is appropriating monies that are not in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the Maumee City School District comply with the Ohio Revised Code by keeping more accurate appropriations versus estimated resources. If it is determined that estimated resources will be greater than initially anticipated, the Maumee City School District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources.

Client Response: The District is attempting to monitor its budget more closely and to submit additional amendments for estimated resources or reduce its appropriations as necessary.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)	
Finding Number	2006-MCSD-002

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that the Maumee City School District had expenditures exceeding appropriations in the following funds for the fiscal year ended June 30, 2006:

Fund Type	Fund	Excess
Special Revenue	Miscellaneous State Grants	\$ 2,054
Special Revenue	E-Rate	49,273
Special Revenue	Special Enterprise	3,231

With expenditures exceeding appropriations, the District is expending monies that have not been appropriated and approved by the Board of Education. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The District is attempting to monitor its budget more closely and to increase its appropriations as needed.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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

**STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2006**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-MCSD-001	Ohio Revised Code Section 5705-39 requires that total appropriations from each fund should not exceed total estimated resources.	No	Reported as Finding 2006 MCSD-001
2005- MCSD-002	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	No	Reported as Finding 2006 MCSD-002



Mary Taylor, CPA
Auditor of State

MAUMEE CITY SCHOOL DISTRICT

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 22, 2007**