

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2004***

PAUL BROTZKI, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Maumee City School District
2345 Detroit Avenue
Maumee, Ohio 43537-3799

We have reviewed the Independent Auditor's Report of the Maumee City School District, Lucas County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2003 through June 30, 2004. 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.

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BETTY MONTGOMERY
Auditor of State

January 26, 2005

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

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TRIMBLE, 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, 2004, 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, 2004, and the respective changes in financial position thereof 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 24, 2004, on our consideration of the District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 on pages 3 through 13 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 "Trimble, Julian & Grube, Inc.".

Trimble, Julian & Grube, Inc.
November 24, 2004

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

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, 2004. 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 2004 are as follows:

- In total, net assets of governmental activities decreased \$3,449,700 which represents a 29.12% decrease from 2003.
- General revenues accounted for \$24,658,289 in revenue or 87.98% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,370,424 or 12.02% of total revenues of \$28,028,713.
- The District had \$31,478,413 in expenses related to governmental activities; \$3,370,424 of these expenses were 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 not 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 \$22,865,470 in revenues and \$25,937,793 in expenditures and other financing uses. The fund balance of the general fund decreased from \$2,477,349 to (\$591,977).
- The debt service fund had \$44,548,882 in revenues and other financing sources and \$44,516,413 in expenditures. The fund balance of the debt service fund increased from \$82,066 to \$114,535.
- The building fund had \$400,283 in revenues and \$3,034,097 in expenditures. The fund balance of the building fund decreased from \$44,545,287 to \$41,911,473.

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, 2004
UNAUDITED

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 2004?" 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 16-20 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Reporting the District's Fiduciary Responsibilities

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

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 23-47 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 2004 and 2003.

	Net Assets	
	Governmental Activities 2004	Governmental Activities 2003
<u>Assets</u>		
Current and other assets	\$ 73,160,795	\$ 74,527,768
Capital assets	<u>7,485,152</u>	<u>4,004,904</u>
Total assets	<u>80,645,947</u>	<u>78,532,672</u>
<u>Liabilities</u>		
Current liabilities	27,232,508	23,046,993
Long-term liabilities	<u>45,016,397</u>	<u>43,638,937</u>
Total liabilities	<u>72,248,905</u>	<u>66,685,930</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,883,021	3,964,904
Restricted	6,133,194	4,436,494
Unrestricted	<u>(1,619,173)</u>	<u>3,445,344</u>
Total net assets	<u>\$ 8,397,042</u>	<u>\$ 11,846,742</u>

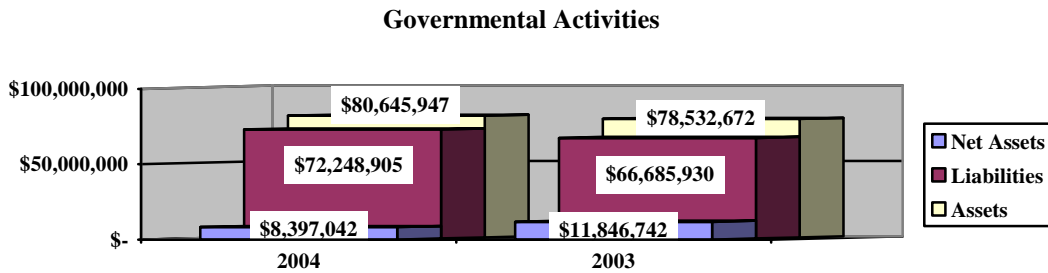
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$8,397,042.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

At year-end, capital assets represented 9.28% 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, 2004, were \$3,883,021. 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, \$6,133,194, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$5,823,321 is restricted for capital projects. The table below provides a summary of the District's net assets for 2004 and 2003.



The table below shows the change in net assets for fiscal years 2004 and 2003.

	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2003</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,660,851	\$ 1,655,802
Operating grants and contributions	1,566,729	1,458,437
Capital grants and contributions	142,844	42,967
General revenues:		
Property taxes	18,676,381	16,757,359
Grants and entitlements	5,538,778	5,503,970
Investment earnings	382,293	410,638
Other	60,837	14,525
Special item	-	<u>1,995,286</u>
Total revenues	<u>28,028,713</u>	<u>27,838,984</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Change in Net Assets

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 14,165,025	\$ 13,448,749
Special	2,858,179	2,556,186
Vocational	423,714	425,537
Other	342,953	202,090
Support services:		
Pupil	1,342,075	1,274,952
Instructional staff	778,138	738,606
Board of education	43,591	62,298
Administration	2,280,903	2,129,872
Fiscal	642,797	498,130
Business	192,838	167,619
Operations and maintenance	2,886,785	3,123,342
Pupil transportation	747,631	709,597
Central	185,854	221,839
Operations of non-instructional services	31,467	29,559
Food service operations	1,011,447	948,712
Extracurricular activities	978,445	914,854
Intergovernmental-pass through	640,700	526,159
Interest and fiscal charges	<u>1,925,871</u>	<u>38,838</u>
Total	<u>31,478,413</u>	<u>28,016,939</u>
Decrease in net assets	<u>\$ (3,449,700)</u>	<u>\$ (177,955)</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$3,449,700. Total governmental expenses of \$31,478,413 were offset by program revenues of \$3,370,424 and general revenues of \$24,658,289. Program revenues supported 10.71% 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 86.39% 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.

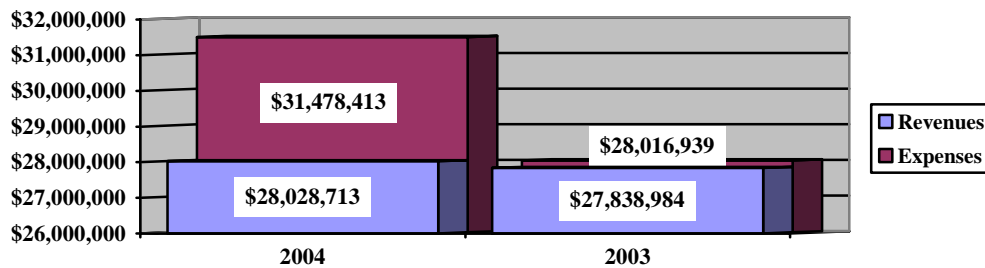
**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

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

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2004 and 2003.

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, 2004
UNAUDITED**

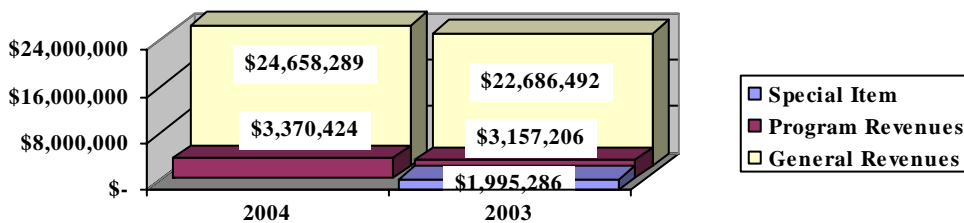
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Program expenses				
Instruction:				
Regular	\$ 14,165,025	\$ 13,656,108	\$ 13,448,749	\$ 13,006,157
Special	2,858,179	2,423,580	2,556,186	2,123,921
Vocational	423,714	423,714	425,537	425,537
Other	342,953	169,539	202,090	82,724
Support services:				
Pupil	1,342,075	1,342,075	1,274,952	1,274,952
Instructional staff	778,138	636,932	738,606	610,992
Board of education	43,591	43,591	62,298	62,298
Administration	2,280,903	2,280,823	2,129,872	2,129,710
Fiscal	642,797	632,534	498,130	487,413
Business	192,838	60,336	167,619	(692)
Operations and maintenance	2,886,785	2,840,875	3,123,342	3,081,907
Pupil transportation	747,631	747,631	709,597	709,597
Central	185,854	163,561	221,839	176,920
Operation of non-instructional services	31,467	26,151	29,559	25,800
Food service operations	1,011,447	76,101	948,712	77,884
Extracurricular activities	978,445	549,986	914,854	573,964
Intergovernmental pass-through	640,700	108,581	526,159	(28,189)
Interest and fiscal charges	1,925,871	1,925,871	38,838	38,838
Total	<u>\$ 31,478,413</u>	<u>\$ 28,107,989</u>	<u>\$ 28,016,939</u>	<u>\$ 24,859,733</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 93.72% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 89.29%. 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 2004 and 2003.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$43,323,925, which is lower than last year's total of \$49,197,345. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	Increase <u>(Decrease)</u>
General	\$ (591,977)	\$ 2,477,349	\$ (3,069,326)
Debt Service	114,535	82,066	32,469
Building	41,911,473	44,545,287	(2,633,814)
Other Governmental	<u>1,889,894</u>	<u>2,092,643</u>	<u>(202,749)</u>
Total	<u>\$ 43,323,925</u>	<u>\$ 49,197,345</u>	<u>\$ (5,873,420)</u>

General Fund

During fiscal year 2004, the District's general fund balance decreased by \$3,069,326. The table that follows assists in illustrating the financial activities of the general fund.

	2004 <u>Amount</u>	2003 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 17,106,686	\$ 16,681,862	2.55 %
Tuition	211,748	159,376	32.86 %
Earnings on investments	85,093	213,697	(60.18) %
Intergovernmental	5,363,937	5,461,423	(1.78) %
Other revenues	<u>98,006</u>	<u>109,247</u>	(10.29) %
Total	<u>\$ 22,865,470</u>	<u>\$ 22,625,605</u>	1.06 %
<u>Expenditures</u>			
Instruction	\$ 16,359,702	\$ 15,628,164	4.68 %
Support services	8,581,971	8,110,320	5.81 %
Operation of non-instructional services	4,433	1,818	143.84 %
Extracurricular activities	673,078	621,226	8.35 %
Facilities acquisition and construction	<u>209</u>	<u>-</u>	100.00 %
Total	<u>\$ 25,619,393</u>	<u>\$ 24,361,528</u>	5.16 %

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 2004, the District did not amend its general fund budgeted revenue. For the general fund, original and final budgeted revenues and other financing sources were \$23,417,330. Actual revenues and other financing sources for fiscal 2004 were \$22,778,465 which was \$636,865 less than the final budgeted revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

General fund original appropriations (appropriated expenditures plus other financing uses) of \$23,111,737 were increased \$2,798,574 to \$25,910,311 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$25,968,241, which was \$57,930 higher than the final budget appropriations.

Debt Service Fund

The debt service fund had \$44,548,882 in revenues and other financing sources and \$44,516,413 in expenditures. The fund balance of the debt service fund increased from \$82,066 to \$114,535.

Building Fund

During fiscal year 2004, the District's building fund balance decreased \$2,633,814 due to the start of the various district building projects. The building fund had \$400,283 in revenues and \$3,034,097 in expenditures. The fund balance of the building fund decreased from \$44,545,287 to \$41,911,473.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the District had \$7,485,152 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 2004 balances compared to 2003:

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

	Governmental Activities	
	2004	2003
Land	\$ 698,989	\$ 698,989
Construction in progress	3,602,131	40,000
Land improvements	365,427	413,589
Buildings and improvements	1,948,531	2,139,102
Furniture and equipment	474,055	507,949
Vehicles	396,019	205,275
Total	\$ 7,485,152	\$ 4,004,904

Total additions to capital assets for 2004 were \$3,849,102. The overall increase in capital assets of \$3,480,248 is primarily due to capital outlays exceeding the \$368,854 in depreciation expense for fiscal 2004.

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

Debt Administration

At June 30, 2004, the District had \$42,000,000 in general obligation bonds outstanding. Of this total, \$845,000 is due within one year and \$41,155,000 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, 2004
UNAUDITED

Outstanding Debt, at Year End

	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2003</u>
General Obligation Notes:		
Bond anticipation notes	\$ -	\$ 42,000,000
General obligation bonds	<u>42,000,000</u>	<u>-</u>
Total	<u>\$ 42,000,000</u>	<u>\$ 42,000,000</u>

At June 30, 2004, the District's overall legal debt margin was \$6,493,826 with an unvoted debt margin of \$537,548.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Related Financial Activities

Traditionally, the District has 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. A moderate increase in property tax revenue is expected in fiscal year 2004 due to the increased tax valuation caused by the triennial valuation update and the passage of additional operating levies in May of 2003. This additional tax revenue, along with the District's cash balance, will provide the District with the necessary funds to meet its operating expenses in fiscal year 2004. The District is always presented with challenges and opportunities, including national economic events, new and recently enacted legislation eroding the tangible personal property tax base, which affects the District and the surrounding area.

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 25 of 27.

Our community support was recently measured by two most outstanding accomplishments. In May of 2003 the community passed a \$42 million bond issue and an additional 4.2 mills for operations. The support of these two issues demonstrate the strong belief of parents and community members that their schools are one of the highest priorities and one of the most important public institutions in their communities.

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." Since 1997, the state has directed its tax revenue growth toward school districts with little property tax wealth. On May 16, 2003, the Ohio Supreme Court emphatically clarified that jurisdiction of the DeRolph case had ended. The Ohio Coalition for Equity and Adequacy of School Funding filed a petition with the U.S. Supreme Court for permission to file an appeal. The court is likely to either accept or reject the petition before the end of 2003. The District does not anticipate growth in state revenue, as in the ten years prior to the DeRolph decision; no state revenue growth was realized.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

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.

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, 2004

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 13,149,446
Investments	35,097,308
Receivables:	
Taxes	22,816,666
Accounts	1,363
Intergovernmental	1,102,797
Accrued interest	288,301
Prepayments	37,892
Materials and supplies inventory.	34,291
Unamortized bond issue costs	632,731
Capital assets:	
Land	698,989
Construction in progress	3,602,131
Depreciable capital assets, net	3,184,032
Capital assets, net.	7,485,152
 Total assets.	 80,645,947
 Liabilities:	
Accounts payable.	208,987
Contracts payable.	1,817,826
Accrued wages and benefits	2,952,993
Pension obligation payable.	638,729
Intergovernmental payable	89,976
Deferred revenue	21,369,285
Accrued interest payable	154,712
Long-term liabilities:	
Due within one year.	1,138,827
Due in more than one year	43,877,570
Total liabilities	72,248,905
 Net Assets:	
Invested in capital assets, net of related debt.	3,883,021
Restricted for:	
Capital projects	5,823,321
Debt service.	65,469
Other purposes	244,404
Unrestricted	(1,619,173)
Total net assets	\$ 8,397,042

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, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 14,165,025	\$ 215,697	\$ 150,376	\$ 142,844	\$ (13,656,108)
Special	2,858,179	14,737	419,862	-	(2,423,580)
Vocational	423,714	-	-	-	(423,714)
Other	342,953	173,414	-	-	(169,539)
Support services:					
Pupil.	1,342,075	-	-	-	(1,342,075)
Instructional staff	778,138	-	141,206	-	(636,932)
Board of education	43,591	-	-	-	(43,591)
Administration.	2,280,903	-	80	-	(2,280,823)
Fiscal.	642,797	-	10,263	-	(632,534)
Business.	192,838	132,502	-	-	(60,336)
Operations and maintenance	2,886,785	-	45,910	-	(2,840,875)
Pupil transportation.	747,631	-	-	-	(747,631)
Central	185,854	-	22,293	-	(163,561)
Operation of non-instructional services	31,467	-	5,316	-	(26,151)
Food service operations.	1,011,447	696,042	239,304	-	(76,101)
Extracurricular activities.	978,445	428,459	-	-	(549,986)
Intergovernmental	640,700	-	532,119	-	(108,581)
Interest and fiscal charges	1,925,871	-	-	-	(1,925,871)
Total governmental activities	\$ 31,478,413	\$ 1,660,851	\$ 1,566,729	\$ 142,844	(28,107,989)
General Revenues:					
Property taxes levied for:					
General purposes					17,076,383
Debt service.					1,230,112
Capital projects					369,886
Grants and entitlements not restricted to specific programs					5,538,778
Investment earnings					382,293
Miscellaneous					60,837
Total general revenues					24,658,289
Change in net assets					(3,449,700)
Net assets at beginning of year					11,846,742
Net assets at end of year					\$ 8,397,042

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<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	\$ 2,531,169	\$ 44,560	\$ 8,468,939	\$ 1,982,821	\$ 13,027,489
Investments	-	-	35,097,308	-	35,097,308
Receivables:					
Taxes	19,376,226	2,976,690	-	463,750	22,816,666
Accounts	1,363	-	-	-	1,363
Intergovernmental	-	-	-	1,102,797	1,102,797
Accrued interest	54,011	-	234,290	-	288,301
Due from other funds	135	-	-	-	135
Prepayments	35,168	-	2,724	-	37,892
Materials and supplies inventory	18,329	-	-	15,962	34,291
Restricted assets:					
Equity in pooled cash and cash equivalents	121,957	-	-	-	121,957
Total assets	<u>\$ 22,138,358</u>	<u>\$ 3,021,250</u>	<u>\$ 43,803,261</u>	<u>\$ 3,565,330</u>	<u>\$ 72,528,199</u>
Liabilities:					
Accounts payable	\$ 119,527	\$ -	\$ -	\$ 89,460	\$ 208,987
Contracts payable	-	-	1,817,826	-	1,817,826
Accrued wages and benefits	2,935,653	-	-	17,340	2,952,993
Compensated absences payable	127,171	-	-	-	127,171
Pension obligation payable	424,935	-	-	18,112	443,047
Intergovernmental payable	86,606	-	-	3,370	89,976
Due to other funds	-	-	-	135	135
Deferred revenue	19,036,443	2,906,715	73,962	1,547,019	23,564,139
Total liabilities	<u>22,730,335</u>	<u>2,906,715</u>	<u>1,891,788</u>	<u>1,675,436</u>	<u>29,204,274</u>
Fund Balances:					
Reserved for encumbrances	71,793	-	22,493,671	1,142,841	23,708,305
Reserved for BWC refunds	121,957	-	-	-	121,957
Reserved for materials and supplies inventory	18,329	-	-	15,962	34,291
Reserved for property tax unavailable for appropriation	67,062	12,503	-	1,624	81,189
Reserved for prepayments	35,168	-	2,724	-	37,892
Reserved for debt service	-	102,032	-	-	102,032
Unreserved, undesignated (deficit), reported in:					
General fund	(906,286)	-	-	-	(906,286)
Special revenue funds	-	-	-	665,982	665,982
Capital projects funds	-	-	19,415,078	63,485	19,478,563
Total fund balances	<u>(591,977)</u>	<u>114,535</u>	<u>41,911,473</u>	<u>1,889,894</u>	<u>43,323,925</u>
Total liabilities and fund balances	<u>\$ 22,138,358</u>	<u>\$ 3,021,250</u>	<u>\$ 43,803,261</u>	<u>\$ 3,565,330</u>	<u>\$ 72,528,199</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$ 43,323,925
<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.		7,485,152
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 1,013,985	
Accrued interest	80,230	
Intergovernmental	1,100,639	
Total		2,194,854
Unamortized premiums on bond issuance is not recognized in the funds.		(1,238,254)
Unamortized bond issuance costs are not recognized in the funds.		632,731
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	42,000,000	
Compensated absences	1,650,972	
Pension obligation payable	195,682	
Accrued interest payable	154,712	
Total		(44,001,366)
Net assets of governmental activities		\$ 8,397,042

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, 2004

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes	\$ 17,106,686	\$ 1,124,466	\$ -	\$ 601,042	\$ 18,832,194
Tuition	211,748	-	-	173,414	385,162
Charges for services	-	-	-	688,356	688,356
Earnings on investments	85,093	12,097	257,439	80	354,709
Extracurricular	-	-	-	240,606	240,606
Classroom materials and supplies	37,669	-	-	128,326	165,995
Donations	-	-	142,844	-	142,844
Other local revenues	60,337	-	-	181,232	241,569
Intergovernmental - State	5,363,937	136,428	-	676,140	6,176,505
Intergovernmental - Federal	-	-	-	974,074	974,074
Total revenues	<u>22,865,470</u>	<u>1,272,991</u>	<u>400,283</u>	<u>3,663,270</u>	<u>28,202,014</u>
Expenditures:					
Current:					
Instruction:					
Regular	13,317,311	-	-	306,591	13,623,902
Special	2,430,518	-	-	447,508	2,878,026
Vocational	384,217	-	-	-	384,217
Other	227,656	-	-	117,037	344,693
Support Services:					
Pupil	1,335,092	-	-	-	1,335,092
Instructional staff	471,448	-	-	312,943	784,391
Board of education	43,596	-	-	-	43,596
Administration	2,319,334	-	-	84	2,319,418
Fiscal	607,206	-	-	35,080	642,286
Business	58,732	-	-	134,106	192,838
Operations and maintenance	2,666,439	-	-	8,710	2,675,149
Pupil transportation	921,142	-	-	-	921,142
Central	158,982	-	-	23,562	182,544
Operation of non-instructional services	4,433	-	-	27,119	31,552
Food service operations	-	-	-	1,032,948	1,032,948
Extracurricular activities	673,078	-	-	307,050	980,128
Intergovernmental	-	-	-	582,296	582,296
Facilities acquisition and construction	209	-	2,996,288	745,003	3,741,500
Debt service:					
Principal retirement	-	42,000,000	-	114,165	42,114,165
Interest and fiscal charges	-	1,864,450	37,809	-	1,902,259
Bond issue costs	-	651,963	-	-	651,963
Total expenditures	<u>25,619,393</u>	<u>44,516,413</u>	<u>3,034,097</u>	<u>4,194,202</u>	<u>77,364,105</u>
Excess of revenues under expenditures	<u>(2,753,923)</u>	<u>(43,243,422)</u>	<u>(2,633,814)</u>	<u>(530,932)</u>	<u>(49,162,091)</u>
Other financing sources (uses):					
Premium on sale of bonds	-	1,275,891	-	-	1,275,891
Proceeds of bonds	-	42,000,000	-	-	42,000,000
Transfers in	-	-	-	318,400	318,400
Transfers (out)	(318,400)	-	-	-	(318,400)
Total other financing sources (uses)	<u>(318,400)</u>	<u>43,275,891</u>	<u>-</u>	<u>318,400</u>	<u>43,275,891</u>
Net change in fund balances	(3,072,323)	32,469	(2,633,814)	(212,532)	(5,886,200)
Fund balances at beginning of year	2,477,349	82,066	44,545,287	2,092,643	49,197,345
Increase in reserve for inventory	2,997	-	-	9,783	12,780
Fund balances (deficit) at end of year	<u>\$ (591,977)</u>	<u>\$ 114,535</u>	<u>\$ 41,911,473</u>	<u>\$ 1,889,894</u>	<u>\$ 43,323,925</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, 2004

Net change in fund balances - total governmental funds	\$	(5,886,200)
 <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 (\$3,849,102) exceeds depreciation expense (\$368,854) in the current period.		3,480,248
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		12,780
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(173,301)
Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		42,114,165
Proceeds of bonds are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(42,000,000)
Premiums on debt issuances are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		(1,166,950)
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.		632,731
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(113,321)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(349,852)
Change in net assets of governmental activities	\$	(3,449,700)

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, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 17,106,411	\$ 17,106,411	\$ 17,000,277	\$ (106,134)
Tuition	184,530	184,530	211,749	27,219
Earnings on investments	374,047	374,047	102,423	(271,624)
Classroom materials and supplies	34,911	34,911	37,669	2,758
Other local revenues	41,893	41,893	59,668	17,775
Intergovernmental - State	5,092,524	5,092,524	5,365,623	273,099
Intergovernmental - Federal	19,949	19,949	-	(19,949)
Total revenues	<u>22,854,265</u>	<u>22,854,265</u>	<u>22,777,409</u>	<u>(76,856)</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,727,674	13,147,765	13,362,966	(215,201)
Special	2,112,161	2,367,920	2,406,546	(38,626)
Vocational	360,391	404,030	395,340	8,690
Other	79,387	89,000	227,656	(138,656)
Support Services:				
Pupil	1,182,871	1,326,104	1,326,583	(479)
Instructional staff	431,047	483,242	472,549	10,693
Board of education	70,081	78,567	44,650	33,917
Administration	2,193,534	2,459,147	2,288,830	170,317
Fiscal	521,654	584,821	636,382	(51,561)
Business	64,566	72,384	61,468	10,916
Operations and maintenance	2,502,753	2,805,808	2,675,329	130,479
Pupil transportation	828,632	928,970	875,933	53,037
Central	137,366	154,000	161,494	(7,494)
Operation of non-instructional services	3,311	3,712	3,060	652
Extracurricular activities	583,319	653,952	660,846	(6,894)
Facilities acquisition and construction	794	889	209	680
Total expenditures	<u>22,799,541</u>	<u>25,560,311</u>	<u>25,599,841</u>	<u>(39,530)</u>
Excess of revenues over (under) expenditures	<u>54,724</u>	<u>(2,706,046)</u>	<u>(2,822,432)</u>	<u>(116,386)</u>
Other financing sources (uses):				
Refund of prior year expenditures	61,842	61,842	387	(61,455)
Transfers in	498,729	498,729	-	(498,729)
Transfers (out)	(267,597)	(300,000)	(318,400)	(18,400)
Proceeds from sale of capital assets	2,494	2,494	669	(1,825)
Refund of prior year (receipts)	(44,599)	(50,000)	(50,000)	-
Total other financing sources (uses)	<u>250,869</u>	<u>213,065</u>	<u>(367,344)</u>	<u>(580,409)</u>
Net change in fund balance	305,593	(2,492,981)	(3,189,776)	(696,795)
Fund balance at beginning of year	5,664,032	5,664,032	5,664,032	-
Prior year encumbrances appropriated	90,375	90,375	90,375	-
Fund balance at end of year	<u>\$ 6,060,000</u>	<u>\$ 3,261,426</u>	<u>\$ 2,564,631</u>	<u>\$ (696,795)</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, 2004

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 95,858	\$ 33,015
Total assets	95,858	33,015
Liabilities:		
Accounts payable	9,922	3,503
Due to students	-	29,512
Total liabilities	9,922	\$ 33,015
Net Assets:		
Held in trust for scholarships	85,936	
Total net assets	\$ 85,936	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 1,228
Gifts and contributions.	32,477
	33,705
Total additions.	33,705
Deductions:	
Scholarships awarded	36,416
	(2,711)
Change in net assets	(2,711)
Net assets at beginning of year.	88,647
	88,647
Net assets at end of year	\$ 85,936

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 613 public and community school districts in the state. It currently operates 4 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 124 non-certified and 230 certified full-time and part-time employees to provide services to approximately 2,831 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other 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, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the 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, 2004

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 \$133,255. 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 career center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District. The District did not make any payments to Penta Career Center during fiscal year 2004. Financial information can be obtained from the Penta County Career Center, Carrie Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551-4594.

Bay Area Council

The Bay Area Council was established in 1986 to carry out a cooperative program for the purchase of natural gas among boards of education located in Erie, Huron, Ottawa, Sandusky, Seneca, and Wood Counties. The Bay Area Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member boards of education. The Bay Area Council is governed by a Board of Directors. This Board is elected by an Assembly consisting of a representative from each participating school district. The District paid \$176,464 to Bay Area Council in fiscal year 2004 for utility services. Financial information can be obtained from the Erie-Huron-Ottawa Education Service Center, who serves as fiscal agent, 2902 Columbus Avenue, Sandusky, Ohio 44870.

B. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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. It is also used to account for the accumulation of resources and payment of general obligation bonds and notes payable.

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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, 2004

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, 2004, but which were levied to finance fiscal year 2005 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. 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, 2004**

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 2004.

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 any level of control. Any revisions that alter 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.

F. Cash and Investments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

During fiscal year 2004, investments were limited to a U.S. Government money market mutual fund, federal agency securities, and investments in the State Asset Treasury Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal 2004. 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, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the Education Foundation special revenue fund, Food Service special revenue fund, and certain trust funds individually authorized by Board resolution. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$85,093, which includes \$20,605 assigned from other funds.

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

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

G. Inventory

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

J. Accrued Liabilities and Long-Term Obligations

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

M. Prepayments

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

N. Estimates

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

O. Restricted Assets

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

P. Interfund Activity

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

Q. Parochial Schools

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2004.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

General Fund	\$ 591,977
<u>Nonmajor Funds</u>	
Special Education - Grants to State	1,033
Title I	306
Class Size Reduction	102

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Non-Compliance

- The following funds had appropriations in excess of estimated resources for the fiscal year ended June 30, 2004, in noncompliance with Ohio Revised Code Section 5705.39:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess Amount</u>
Special Revenue	Food Service	\$ 24,865
Special Revenue	Management Information System	2,600
Special Revenue	Data Communication	22,681
Special Revenue	Student Intervention	40,199
Special Revenue	Title II-A	3,498
Debt Service	Debt Service	43,864,453
Capital Projects	Building	24,659,072

- The following funds had expenditures in excess of appropriations for the fiscal year ended June 30, 2004, in noncompliance with Ohio Revised Code Section 5705.41(B):

<u>Fund Type</u>	<u>Fund</u>	<u>Excess</u>
General Fund	General Fund	\$ 57,930
Special Revenue	Other Grant	1,202
Special Revenue	Auxiliary Services	19,421
Special Revenue	Eisenhower Grant	257
Capital Projects	Permanent Improvement	964,370

- The District had a negative cash fund balance in the Title VI nonmajor governmental fund, contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, this amount has been reported as a fund liability.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on hand: At fiscal year-end, the District had \$7,740 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents".

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Deposits: At year-end, the carrying amount of the District's deposits was \$6,054,721 and the bank balance was \$6,289,293. Of the bank balance:

1. \$100,000 was covered by federal depository insurance or surety company bonds deposited with the District; and
2. \$6,189,293 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

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

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Federal agency securities	\$ 41,338,743	\$ 41,338,743	\$ 41,338,743
	<u>\$ 41,338,743</u>		
Investment in STAR Ohio		<u>974,423</u>	<u>974,423</u>
Total investments		<u>\$ 42,313,166</u>	<u>\$ 42,313,166</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 13,278,319	\$ 35,097,308
Investments of the cash management pool:		
Federal agency securities	(6,241,435)	6,241,435
Investment in STAR Ohio	(974,423)	974,423
Cash on hand	(7,740)	-
GASB Statement No. 3	\$ 6,054,721	\$ 42,313,166

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:

General Fund	\$ 318,400
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All transfers made in fiscal year 2004 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B.** Due from/to other funds consisted of the following at June 30, 2004, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 135

The purpose of the due from/to other funds is to cover a negative cash balance at June 30. The amount will be repaid within one year.

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 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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, 2004

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. 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, 2004, are available to finance fiscal year 2005 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, 2004 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, 2004 was \$67,062 in the general fund, \$12,503 in the debt service fund and \$1,624 in the permanent improvement fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$176,179 in the general fund, and \$61,897 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.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 402,818,000	78.38	\$ 443,442,030	82.50
Public utility personal	14,459,000	2.81	13,451,670	2.50
Tangible personal property	<u>96,688,000</u>	<u>18.81</u>	<u>80,653,977</u>	<u>15.00</u>
Total	<u>\$ 513,965,000</u>	<u>100.00</u>	<u>\$ 537,547,677</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 64.50		\$ 74.40	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 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	\$	22,816,666
Accounts		1,363
Intergovernmental		1,102,797
Accrued interest		<u>288,301</u>
Total	\$	<u>24,209,127</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance 06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/04</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 698,989	\$ -	\$ -	\$ 698,989
Construction in progress	<u>40,000</u>	<u>3,562,131</u>	<u>-</u>	<u>3,602,131</u>
Total capital assets, not being depreciated	<u>738,989</u>	<u>3,562,131</u>	<u>-</u>	<u>4,301,120</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,889,021	-	-	1,889,021
Buildings and improvements	8,274,862	-	-	8,274,862
Furniture and equipment	1,811,045	64,758	(78,954)	1,796,849
Vehicles	<u>1,126,956</u>	<u>222,213</u>	<u>(46,960)</u>	<u>1,302,209</u>
Total capital assets, being depreciated	<u>13,101,884</u>	<u>286,971</u>	<u>(125,914)</u>	<u>13,262,941</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,475,432)	(48,162)	-	(1,523,594)
Buildings and improvements	(6,135,760)	(190,571)	-	(6,326,331)
Furniture and equipment	(1,303,096)	(98,652)	78,954	(1,322,794)
Vehicles	<u>(921,681)</u>	<u>(31,469)</u>	<u>46,960</u>	<u>(906,190)</u>
Total accumulated depreciation	<u>(9,835,969)</u>	<u>(368,854)</u>	<u>125,914</u>	<u>(10,078,909)</u>
Governmental activities capital assets, net	<u>\$ 4,004,904</u>	<u>\$ 3,480,248</u>	<u>\$ -</u>	<u>\$ 7,485,152</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 163,404
Special	10,971
 <u>Support Services:</u>	
Pupil	825
Instructional staff	12,683
Administration	27,429
Fiscal	566
Operations and maintenance	18,373
Pupil transportation	30,228
Central	3,310
Intergovernmental	58,404
Extracurricular activities	30,231
Food service operations	<u>12,430</u>
 Total depreciation expense	 <u><u>\$ 368,854</u></u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

The leased assets consisted of computer equipment totaling \$318,648 which was not capitalized based on the individual assets not meeting the capitalization threshold. The amount of \$318,648 represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is reported in the government-wide financial statements. The final principal payment in fiscal year 2004 totaled \$114,165 paid by the Technology Levy nonmajor special revenue fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Balance			Balance	Amount
	<u>July 1, 2003</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2004</u>	<u>Due in</u>
					<u>One Year</u>
General obligation bonds	\$ -	\$ 42,000,000	\$ -	\$ 42,000,000	\$ 845,000
Bond anticipation notes	42,000,000	-	(42,000,000)	-	-
Capital lease obligation	114,165	-	(114,165)	-	-
Compensated absences	<u>1,453,468</u>	<u>440,708</u>	<u>(116,033)</u>	<u>1,778,143</u>	<u>293,827</u>
Total	<u>\$ 43,567,633</u>	<u>\$ 42,440,708</u>	<u>\$ (42,230,198)</u>	43,778,143	<u>\$ 1,138,827</u>
Unamortized premium on bond issue				<u>1,238,254</u>	
Total on Statement of Net Assets				<u>\$ 45,016,397</u>	

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

Bond Anticipation Notes:

On June 12, 2003, the District issued \$42,000,000 in bond anticipation notes to begin various District building projects. The notes bore an annual interest rate of 2.00% and matured on October 28, 2003. The notes were retired using the proceeds from the District's \$42,000,000 bond issue on August 1, 2003.

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 an expenditure 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal 2004 on the general obligation bonds:

Fiscal Year Ending	Principal	Interest	Total
2005	\$ 845,000	\$ 1,848,090	\$ 2,693,090
2006	1,175,000	1,827,890	3,002,890
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 - 2014	4,845,000	8,155,400	13,000,400
2015 - 2019	6,135,000	6,887,325	13,022,325
2020 - 2024	7,820,000	5,151,200	12,971,200
2025 - 2029	9,985,000	2,939,690	12,924,690
2030 - 2032	7,220,000	513,343	7,733,343
Total	<u>\$ 42,000,000</u>	<u>\$ 32,642,108</u>	<u>\$ 74,642,108</u>

B. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$6,493,826 (including available funds of \$114,535) and an unvoted debt margin of \$537,548.

NOTE 11 - RISK MANAGEMENT

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

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 11 - RISK MANAGEMENT - (Continued)

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 2003.

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$284,175, \$237,409, and \$343,222, respectively; 49.49% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$143,534 represents the unpaid contribution for fiscal year 2004.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2004, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,893,832, \$1,850,336, and \$1,243,713, respectively; 82.13% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$338,479 represents the unpaid contribution for fiscal year 2004.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$145,679 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003 (the latest information available), net health care costs paid by STRS were \$352.301 million and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available) were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, (the latest information available) SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$250,262 during the 2004 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The 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);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (3,189,776)
Net adjustment for revenue accruals	88,061
Net adjustment for expenditure accruals	(181,987)
Net adjustment for other sources/uses	48,944
Adjustment for encumbrances	<u>162,435</u>
GAAP basis	<u>\$ (3,072,323)</u>

NOTE 15 - CONTINGENCIES

A. Grants

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

C. State School Funding Decision

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 15 - CONTINGENCIES - (Continued)

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

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain 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, 2004, 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, 2003	\$ (694,992)	\$ -	\$ 121,957
Current year set-aside requirement	396,373	396,373	-
Current year offsets - debt proceeds	-	(42,000,000)	-
Current year offsets	-	(422,868)	-
Qualifying disbursements	<u>(815,617)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (1,114,236)</u>	<u>\$ (42,026,495)</u>	<u>\$ 121,957</u>
Cash balance carried forward to FY 2005	<u>\$ (1,114,236)</u>	<u>\$ (42,026,495)</u>	<u>\$ 121,957</u>

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

The District issued \$42,000,000 in bonds in fiscal 2004 to provide for the construction and renovation of school buildings. This amount is an allowable offset to future years for the capital improvement and maintenance set-aside.

A schedule of the restricted assets at June 30, 2004 follows:

Amount restricted for BWC refunds	<u>\$ 121,957</u>
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NOTE 17 - COMMUNITY REINVESTMENT AREA

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 18 - OUTSTANDING CONTRACTUAL COMMITMENTS

At June 30, 2004, the District had the following outstanding contractual commitments related to school construction:

<u>Vendor/Contractor</u>	<u>Total Contract</u>	<u>Payment as of 6/30/04</u>	<u>Remaining Balance</u>
Midwest Environmental Control	\$ 312,000	\$ -	\$ 312,000
Floyd P. Bucher and Son	2,279,670	-	2,279,670
Gem Mechanical	1,033,000	-	1,033,000
Shambaugh & Sons	107,464	-	107,464
Northwest Electrical	719,761	-	719,761
Mosser Construction	8,441,113	-	8,441,113
Warner Mechanical	2,812,825	-	2,812,825
Absolute Fire Protection	450,550	-	450,550
Regent Electrical	2,820,086	-	2,820,086
Tiffin Scenic Studios	185,832	-	185,832
Folding Equipment	177,330	-	177,330
Spieker Construction	2,628,000	-	2,628,000
Industrial Power Systems	826,940	-	826,940
Merit Plumbing	175,275	-	175,275
Transtar Electric	695,368	-	695,368
Absolute Fire Protection	131,500	-	131,500
Mosser Construction	5,288,100	-	5,288,100
Industrial Power Systems	1,903,698	-	1,903,698
Dimech	661,000	-	661,000
Absolute Fire Protection	249,985	-	249,985
Brint Electric	1,940,300	-	1,940,300
D & K Enterprises	48,335	-	48,335
Bostleman	763,000	324,990	438,010
Duket/Porter/McPherson - SSOE	<u>2,530,921</u>	<u>1,272,557</u>	<u>1,258,364</u>
Total	<u><u>\$ 37,182,053</u></u>	<u><u>\$ 1,597,547</u></u>	<u><u>\$ 35,584,506</u></u>

SUPPLEMENTAL DATA

**MAUMEE CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) 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	\$ -	\$ 85,561	\$ -	\$ 85,561
(A) (C) School Breakfast Program	10.553	044362-05PU-2003	850	-	850	-
(A) (C) School Breakfast Program	10.553	044362-05PU-2004	6,700	-	6,700	-
(A) (C) National School Lunch Program	10.555	044362-LLP4-2003	20,432	-	20,432	-
(A) (C) National School Lunch Program	10.555	044362-LLP4-2004	121,413	-	121,413	-
Total U.S. Department of Agriculture and Nutrition Cluster			<u>149,395</u>	<u>85,561</u>	<u>149,395</u>	<u>85,561</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	044362-C1-S1-2004	120,824		120,824	
Special Education - Grants to States	84.027	044362-6B-SD-2003-P	10,966		14,849	
Special Education - Grants to States	84.027	044362-6B-SD-2004-P	10,206		9,882	
Special Education - Grants to States	84.027	044362-6B-SF-2002	-		263	
Special Education - Grants to States	84.027	044362-6B-SF-2003	-		7,322	
Special Education - Grants to States	84.027	044362-6B-SF-2004	447,253		445,171	
Total Special Education - Grants to States			<u>468,425</u>		<u>477,487</u>	
Safe and Drug-Free Schools and Communities - State Grants	84.186	044362-DR-S1-2003	883		2,100	
Safe and Drug-Free Schools and Communities- State Grants	84.186	044362-DR-S1-2004	8,450		8,450	
Total Safe and Drug-Free Schools and Communities - State Grants			<u>9,333</u>		<u>10,550</u>	
(E) State Grants for Innovative Programs	84.298	044362-C2-S1-2001	(2,718)		-	
State Grants for Innovative Programs	84.298	044362-C2-S1-2004	20,628		20,764	
Total State Grants for Innovative Programs			<u>17,910</u>		<u>20,764</u>	
Education Technology State Grants	84.318	044362-TJ-S1-2004	3,270		3,270	
Total Education Technology State Grants			<u>3,270</u>		<u>3,270</u>	
Improving Teacher Quality State Grants	84.367	044362-TR-S1-2003	-		51	
Improving Teacher Quality State Grants	84.367	044362-TR-S1-2004	69,453		69,453	
Total Improving Teacher Quality State Grants			<u>69,453</u>		<u>69,504</u>	
Total U.S. Department of Education			<u>689,215</u>		<u>702,399</u>	
Total Federal Financial Assistance			<u>\$ 838,610</u>	<u>\$ 85,561</u>	<u>\$ 851,794</u>	<u>\$ 85,561</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
 (B) The Food Distribution 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) This schedule was prepared on the cash basis of accounting.
 (E) Repayment of unspent funds.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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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, 2004, which collectively comprise the District’s basic financial statements and have issued our report thereon dated November 24, 2004. 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

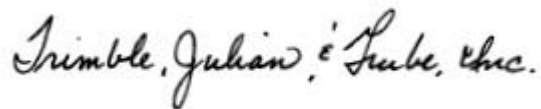
In planning and performing our audit, we considered Maumee City School District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial 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 24, 2004.

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 three 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 2004-MCSD-001, 2004-MCSD-002 and 2004-MCSD-003. We also noted certain matters that we have reported to the management of Maumee City School District in a separate letter dated November 24, 2004.

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 "Trimble, Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

Trimble, Julian & Grube, Inc.
November 24, 2004

TRIMBLE, JULIAN & GRUBE, INC.

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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, 2004. 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

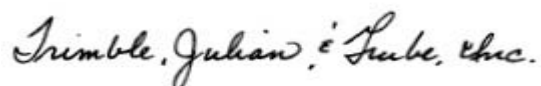
In our opinion, Maumee City School District, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2004.

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.



Trimble, Julian & Grube, Inc.
November 24, 2004

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

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:	Nutrition Grant Cluster: Food Distribution CFDA #10.550, School Breakfast Program CFDA #10.553 and National School Lunch CFDA #10.555.
<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, 2004**

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

Finding Number	2004-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 during the year ended June 30, 2004, the total appropriations exceeded the total estimated resources in the following funds:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess Amount</u>
Special Revenue	Food Service	\$ 24,865
Special Revenue	Management Information System	2,600
Special Revenue	Data Communication	22,681
Special Revenue	Student Intervention	40,199
Special Revenue	Title II-A	3,498
Debt Service	Debt Service	43,864,453
Capital Projects	Building	24,659,072

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.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

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

Finding Number	2004-MCSD-002
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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:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess</u>
General Fund	General Fund	\$ 57,930
Special Revenue	Other Grant	1,202
Special Revenue	Auxiliary Services	19,421
Special Revenue	Eisenhower Grant	257
Capital Projects	Permanent Improvement	964,370

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.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

**1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)**

Finding Number	2004-MCSD-003
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Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures.

It was noted during the audit that at June 30, 2004, the District had a negative cash balance in the Title VI Fund of \$135.

The District has spent monies not available to that fund and thus causing noncompliance. No fund should have a negative cash fund balance throughout the year or at year end.

We recommend that the District properly record receipts as deposits in transit only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the District should advance or transfer funds from the General Fund with proper Board approval.

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

<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; <i>Explain:</i>
2003- MCSD-001	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	No	The District is attempting to monitor its budget more closely.



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**MAUMEE CITY SCHOOL DISTRICT
LUCAS COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2005**