



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

Lincolnview Local School District
Van Wert County
15945 Middle Point Road
Van Wert, Ohio 45891

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Lincolnview Local School District, Van Wert County, (the District), as of and for the years ended June 30, 2002 and 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Lincolnview Local School District, Van Wert County, as of June 30, 2002 and 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2001, the District adopted Governmental Accounting Standards Board Statements 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 3, 2002

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**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Cash and Cash Equivalents	\$3,101,524	\$140,553	\$155,287	\$248,233
Restricted Cash	19,162			
Receivables:				
Taxes	1,964,990		369,497	130,173
Accounts	17,965	364		
Intergovernmental	333,473	11,954		
Prepaid Items	12,668			
Inventory Held for Resale				
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Amount available in Debt Service Fund				
Amount to be Provided for Retirement of General Long-Term Debt				
Total Assets and Other Debits	<u>5,449,782</u>	<u>152,871</u>	<u>524,784</u>	<u>378,406</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	15,164	651		3,002
Accrued Salaries and Benefits	476,179	92		
Compensated Absences Payable	8,174			
Intergovernmental Payable	88,260	2,865		
Deferred Revenue	2,071,551		339,625	119,786
Due to Students				
Bonds Payable				
Total Liabilities	<u>2,659,328</u>	<u>3,608</u>	<u>339,625</u>	<u>122,788</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved:				
Reserved for Encumbrances	54,191	12,245		71,107
Reserved for Prepaid Items	12,668			
Reserved for Property Taxes	154,717		29,872	10,387
Reserved for Debt Service			155,287	
Reserved for Principal				
Reserved for Budget Stabilization	19,162			
Unreserved Fund Balance	2,549,716	137,018		174,124
Total Fund Equity and Other Credits	<u>2,790,454</u>	<u>149,263</u>	<u>185,159</u>	<u>255,618</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,449,782</u>	<u>\$152,871</u>	<u>\$524,784</u>	<u>\$378,406</u>

The accompanying notes are an integral part of the financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$80,449	\$37,132			\$3,763,178 19,162
				2,464,660
170				18,499
4,543				349,970
				12,668
4,833				4,833
115,908		9,418,179		9,534,087
			185,159	185,159
			5,743,944	5,743,944
<u>205,903</u>	<u>37,132</u>	<u>9,418,179</u>	<u>5,929,103</u>	<u>22,096,160</u>
1,687	\$84			20,588
9,280				485,551
4,038			175,741	187,953
8,389			37,894	137,408
				2,530,962
	34,189			34,189
			5,715,468	5,715,468
<u>23,394</u>	<u>34,273</u>		<u>5,929,103</u>	<u>9,112,119</u>
		9,418,179		9,418,179
136,940				136,940
45,569				45,569
				137,543
				12,668
				194,976
				155,287
	1,000			1,000
				19,162
	1,859			2,862,717
<u>182,509</u>	<u>2,859</u>	<u>9,418,179</u>		<u>12,984,041</u>
<u>\$205,903</u>	<u>\$37,132</u>	<u>\$9,418,179</u>	<u>\$5,929,103</u>	<u>\$22,096,160</u>

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

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

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$1,986,223		\$370,938	\$131,207		\$2,488,368
Tuition and Fees	409,978	3,421				413,399
Intergovernmental	3,332,996	209,396	43,108	37,954		3,623,454
Interest	143,068	1,038				144,106
Rent	3,373					3,373
Extracurricular Activities		93,413				93,413
Gifts and Donations	1,000	17,350			1,358	19,708
Miscellaneous	29,337	35,842		2,360		67,539
Total Revenues	5,905,975	360,460	414,046	171,521	1,358	6,853,360
Expenditures:						
Current:						
Instruction:						
Regular	2,449,801	5,271		9,106		2,464,178
Special	842,362	135,542				977,904
Vocational	128,877	57				128,934
Other	8,002					8,002
Support Services:						
Pupils	148,874	11,009				159,883
Instruction	175,579	22,070				197,649
Board of Education	34,529					34,529
Administration	581,217	41,617			1,637	624,471
Fiscal	157,313	2,179	9,580	3,406		172,478
Operation and Maintenance	404,560					404,560
Transportation	327,099			1,072		328,171
Central Services	7,160	7,000				14,160
Extracurricular Activities	104,812	95,610				200,422
Capital Outlay				61,048		61,048
Debt Service:						
Principal			100,000			100,000
Interest			300,805			300,805
Total Expenditures	5,370,185	320,355	410,385	74,632	1,637	6,177,194
Excess (Deficiency) of Revenues Over (Under) Expenditures	535,790	40,105	3,661	96,889	(279)	676,166
Other Financing Sources (Uses):						
Other Financing Uses		(178)				(178)
Other Financing Sources	15	1,675				1,690
Total Other Financing Sources (Uses)	15	1,497				1,512
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	535,805	41,602	3,661	96,889	(279)	677,678
Fund Balances (Deficits) at Beginning of Year	2,254,649	107,661	181,498	158,729	1,728	2,704,265
Fund Balances (Deficits) at End of Year	\$2,790,454	\$149,263	\$185,159	\$255,618	\$1,449	\$3,381,943

The accompanying notes are an integral part of the financial statements.

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LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

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

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$1,974,200	\$1,993,382	\$19,182			
Tuition and Fees	451,000	391,171	(59,829)	3,000	3,422	422
Intergovernmental	3,215,777	3,332,996	117,219	216,468	195,548	(20,920)
Interest	120,000	143,068	23,068	1,000	1,038	38
Rent	4,000	3,373	(627)			
Extracurricular Activities				80,695	93,153	12,458
Gifts and Donations	5,000	1,000	(4,000)	18,000	17,349	(651)
Miscellaneous	30,000	29,397	(603)	36,650	35,830	(820)
Total Revenues	5,799,977	5,894,387	94,410	355,813	346,340	(9,473)
Expenditures:						
Current:						
Instruction:						
Regular	2,430,077	2,445,628	(15,551)	14,123	5,526	8,597
Special	841,300	832,732	8,568	167,413	133,726	33,687
Vocational	135,250	128,929	6,321			
Other	23,000	8,944	14,056			
Support Services:						
Pupils	151,800	150,757	1,043	11,009	11,009	
Instruction	176,985	173,827	3,158	25,074	22,104	2,970
Board of Education	31,150	34,243	(3,093)			
Administration	622,350	588,460	33,890	50,397	48,083	2,314
Fiscal	161,100	160,625	475	2,174	2,194	(20)
Operation and Maintenance	451,273	424,527	26,746			
Transportation	376,956	370,895	6,061			
Central Services	7,675	7,175	500	7,000	7,000	
Non-Instructional Services						
Extracurricular Activities	104,860	105,060	(200)	124,336	102,589	21,747
Capital Outlay						
Debt Service						
Debt Service - Principal						
Debt Service - Interest						
Total Expenditures	5,513,776	5,431,802	81,974	401,526	332,231	69,295
Excess (Deficiency) of Revenues Over (Under) Expenditures	286,201	462,585	176,384	(45,713)	14,109	59,822
Other Financing Sources (Uses):						
Other Financing Sources		15	15	1,600	1,675	75
Refund of Prior Year Expenditures	7,500	6,289	(1,211)			
Advances In	5,000	3,879	(1,121)			
Advances Out	(20,000)		20,000	(3,879)	(3,879)	
Other Financing Uses	(39,000)		39,000		(178)	(178)
Total Other Financing Sources (Uses)	(46,500)	10,183	56,683	(2,279)	(2,382)	(103)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	239,701	472,768	233,067	(47,992)	11,727	59,719
Fund Balances (Deficit) at Beginning of Year	2,560,870	2,560,870		113,002	113,002	
Prior Year Encumbrances Appropriated	18,142	18,142		2,927	2,927	
Fund Balances (Deficit) at End of Year	\$2,818,713	\$3,051,780	\$233,067	\$67,937	\$127,656	\$59,719

The accompanying notes are an integral part of the financial statements.

Governmental Fund Types						Fiduciary Fund Types		
Debt Service Funds			Capital Project Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$367,092	\$372,070	\$4,978	\$129,490	\$131,639	\$2,149			
43,000	43,108	108	37,540	37,954	414			
				2,360	2,360	1,542	1,358	(184)
<u>410,092</u>	<u>415,178</u>	<u>5,086</u>	<u>167,030</u>	<u>171,953</u>	<u>4,923</u>	<u>1,542</u>	<u>1,358</u>	<u>(184)</u>
			36,106	26,106	10,000			
10,500	9,580	920	4,000	3,406	594	2,000	1,637	363
			83,072	36,264	46,808			
			144,106	113,006	31,100			
100,000	100,000							
<u>300,805</u>	<u>300,805</u>							
<u>411,305</u>	<u>410,385</u>	<u>920</u>	<u>267,284</u>	<u>178,782</u>	<u>88,502</u>	<u>2,000</u>	<u>1,637</u>	<u>363</u>
<u>(1,213)</u>	<u>4,793</u>	<u>6,006</u>	<u>(100,254)</u>	<u>(6,829)</u>	<u>93,425</u>	<u>(458)</u>	<u>(279)</u>	<u>179</u>
<u>(1,213)</u>	<u>4,793</u>	<u>6,006</u>	<u>(100,254)</u>	<u>(6,829)</u>	<u>93,425</u>	<u>(458)</u>	<u>(279)</u>	<u>179</u>
150,494	150,494		63,669	63,669		1,728	1,728	
			117,284	117,284				
<u>\$149,281</u>	<u>\$155,287</u>	<u>\$6,006</u>	<u>\$80,699</u>	<u>\$174,124</u>	<u>\$93,425</u>	<u>\$1,270</u>	<u>\$1,449</u>	<u>\$179</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**COMBINED STATEMENT OF REVENUES
EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
Operating Revenues:			
Sales	\$177,647		\$177,647
Tuition	17,535		17,535
Other Revenues	5,367		5,367
Total Operating Revenue	<u>200,549</u>		<u>200,549</u>
Operating Expenses:			
Salaries	93,281		93,281
Fringe Benefits	19,081		19,081
Purchased Services	4,794		4,794
Materials and Supplies	131,473		131,473
Other	1,590		1,590
Depreciation	8,728		8,728
Total Operating Expenses	<u>258,947</u>		<u>258,947</u>
Operating (Loss)	<u>(58,398)</u>		<u>(58,398)</u>
Non-Operating Revenues:			
Federal Donated Commodities	23,042		23,042
Interest	11	34	45
Federal and State Subsidies	44,416		44,416
Total Non-Operating Revenues	<u>67,469</u>	<u>34</u>	<u>67,503</u>
Net Income	9,071	34	9,105
Retained Earnings at Beginning of Year	<u>36,498</u>	<u>1,376</u>	<u>37,874</u>
Retained Earnings at End of Year	<u>45,569</u>	<u>1,410</u>	<u>46,979</u>
Contributed Capital at the Beginning and End of Year	<u>136,940</u>		<u>136,940</u>
Total Fund Equity at End of Year	<u><u>\$182,509</u></u>	<u><u>\$1,410</u></u>	<u><u>\$183,919</u></u>

The accompanying notes are an integral part of the financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY -BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Type			Fiduciary Funds		
	Enterprise Funds			Non-Expendable Trust Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Tuition	\$17,904	\$17,535	(\$369)			
Sales	181,974	177,642	(4,332)			
Federal and State Subsidies	44,621	39,873	(4,748)			
Interest	25	11	(14)	75	34	(41)
Miscellaneous	5,325	5,435	110			
Total Revenues	249,849	240,496	(9,353)	75	34	(41)
Expenditures:						
Salaries	96,750	93,528	3,222			
Fringe Benefits	21,950	19,903	2,047			
Purchased Services	5,130	5,004	126			
Materials and Supplies	127,826	113,817	14,009			
Other	2,000	1,629	371			
Capital Outlay	1,000	520	480			
Total Expenditures	254,656	234,401	20,255			
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,807)	6,095	10,902	75	34	(41)
Fund Balance beginning of Year	69,950	69,950		1,376	1,376	
Prior Year Encumbrances Appropriated	1,406	1,406				
Fund Balance end of Year	\$66,549	\$77,451	\$10,902	\$1,451	\$1,410	(\$41)

The accompanying notes are an integral part of the financial statements.

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type	Fiduciary Funds	Totals
	Enterprise	Non-Expendable Trust	(Memorandum Only)
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$200,611		\$200,611
Cash Payments to Suppliers for Goods and Services	(117,451)		(117,451)
Cash Payments to Employees for Services	(93,528)		(93,528)
Cash Payments for Employee Benefits	(19,903)		(19,903)
	(30,271)		(30,271)
Net Cash Provided by (Used for) Operating Activities			
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	39,873		39,873
Interest	11	34	45
	39,884	34	39,918
Net Cash Provided by (Used for) Noncapital Financing Activities			
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(520)		(520)
	(520)		(520)
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at Beginning of Year	9,093	34	9,127
	71,356	1,376	72,732
Cash and Cash Equivalents at End of Year	80,449	1,410	81,859
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	(58,398)		(58,398)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	8,728		8,728
Donated Commodities Used During Year	23,042		23,042
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	63		63
(Increase)/Decrease in Inventory Held for Resale	(1,544)		(1,544)
Increase/(Decrease) in Accounts Payable	1,613		1,613
Increase/(Decrease) in Accrued Salaries and Benefits	(930)		(930)
Increase/(Decrease) in Compensated Absences Payable	(933)		(933)
Increase/(Decrease) in Intergovernmental Payables	794		794
Increase/(Decrease) in Donated Commodities	(2,706)		(2,706)
	28,127		28,127
Total Adjustments	28,127		28,127
Net Cash Provided by Operating Activities	(\$30,271)	\$0	(\$30,271)
Reconciliation of Trust and Agency Funds:			
Cash and Cash Equivalents - All Fiduciary Funds	\$37,132		
Cash and Cash Equivalents - All Agency Funds	(34,258)		
Cash and Cash Equivalents - All Expendable Trust Funds	(1,464)		
Cash and Cash Equivalents - All Non-expendable Trust Funds	\$1,410		

The accompanying notes are an integral part of the financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Lincolnview Local School District is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District is located in rural farm land within Van Wert County, consisting of residences. The School District is the 529th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 37 non-certificated employees and 73 certificated full-time teaching personnel who provide services to 866 students and other community members.

A. Reporting Entity:

The reporting entity is comprised of the primary government and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Lincolnview Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with five organizations which are defined as jointly governed organizations, and two public entity risk pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Van Wert Area Schools Consortium Local Professional Development Committee, Vantage Joint Vocational School, the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan, and the Van Wert Area School Insurance Group (VWASIG). These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lincolnview Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types

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

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds

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

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups:

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All enterprise funds and nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary fund types and nonexpendable trust fund.

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue.

Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred 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. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

C. Budgetary Data

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 primary level of budgetary control is at the object level within the General Fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. 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 the Van Wert County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2002, investments were limited to non-negotiable certificates of deposit and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$143,068, which includes \$31,692 assigned from other School District funds.

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the general fund represents cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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 capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

L. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds prior to fiscal year 2001 that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end, except for depreciation on assets acquired through federal grants, which is expensed and closed to contributed capital at year end.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed contributions received after fiscal year 2000 are recorded as revenues and are reported as increases in retained earnings based on new guidelines established in GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions".

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, budget stabilization, principal, prepaid items, and debt service.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The reserve for principal signifies legal restrictions on the use of principal in the nonexpendable trust fund.

O. Total Columns on General Purpose Financial Statements

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

P. Estimates

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

3. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Budget Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Budget Basis) and Actual - All Proprietary Fund Types and Similar Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP basis - fund balance	\$2,790,454	\$149,263	\$ 185,159	\$ 255,618	\$1,449
Adjustment for GAAP basis:					
Accrued revenues/prepaid expenses	(2,329,096)	(12,318)	(369,497)	(130,173)	-
Accrued expenditures/deferred revenue	2,659,328	3,608	339,625	122,788	15
Encumbrances outstanding (budget basis)	<u>(68,906)</u>	<u>(12,897)</u>	<u>-</u>	<u>(74,109)</u>	<u>(15)</u>
Budget basis - fund balance	<u>\$3,051,780</u>	<u>\$127,656</u>	<u>\$ 155,287</u>	<u>\$ 174,124</u>	<u>\$1,449</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

	<u>Enterprise</u>	<u>Non-Expendable Trust</u>
GAAP basis	\$182,509	\$1,410
Increased (Decrease) due to:		
Revenue accruals	(120,621)	-
Expenses accruals	23,394	-
Materials and supplies inventory	(4,833)	-
Encumbrances outstanding (budget basis)	<u>(2,998)</u>	<u>-</u>
Budget basis	<u>\$ 77,451</u>	<u>\$1,410</u>

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Interim monies may be invested in the following obligations. In general, investments must mature or be redeemable within two years from the date of purchase:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests 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 School 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 securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$520 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$2,024,446 and the bank balance was \$2,150,172. \$203,000 was covered by federal depository insurance. \$1,947,172 was unpledged and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

Investments - GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," requires that local governments disclose the fair value and carrying amounts of investments, classified by risk. The School District's investments are categorized as either (1) insured or registered or for which the securities are held by the School District or its agent in the School District's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the School District's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District had an investment in a repurchase agreement with a fair value of \$24,585 as of June 30, 2002 and is classified in Category 3. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2002, the fair value of funds on deposit with STAR Ohio was \$1,732,789.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined 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 9	\$ 3,782,340	\$ 0
Cash on Hand	(520)	0
Repurchase Agreements	(24,585)	24,585
Investments:		
STAR Ohio	<u>(1,732,789)</u>	<u>1,732,789</u>
GASB Statement 3	<u>\$2,024,446</u>	<u>\$1,757,374</u>

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true 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.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

5. PROPERTY TAXES (Continued)

Tangible personal property taxes paid 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.

The School District receives property taxes from Van Wert County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002 is recognized as revenue.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second-Half Collections		2002 First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Residential/Agricultural and Other Real Estate	\$60,184,970		\$61,287,370	89.46%
Public Utilities Personal	4,808,640	88.42%	3,849,560	5.62
Tangible Personal Property	<u>3,070,680</u>	7.07	<u>3,370,550</u>	<u>4.92</u>
		<u>4.51</u>		
Total Valuation	<u>\$68,064,290</u>	<u>100%</u>	<u>\$68,507,480</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$54.90		\$54.90	

6. RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts (billings for user charged services and student fees), and intergovernmental grants. 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 fiscal year guarantee of federal funds.

A summary of the receivables follows:

		Amounts
General	Taxes	\$1,964,990
	Accounts	17,965
	Intergovernmental	333,473
Special Revenue Funds	Accounts	364
	Intergovernmental	11,954
Debt Service Funds	Taxes	369,497
Capital Projects Funds	Taxes	130,173
Enterprise Funds	Accounts	170
	Intergovernmental	<u>4,543</u>
Total Receivables		\$2,833,129

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

7. FIXED ASSETS

A summary of the Proprietary Fund property, plant, and equipment at June 30, 2002, is as follows:

	Balance June 30, 2002
Furniture and Equipment	\$157,772
Less: Accumulated Depreciation to June 30, 2002	<u>(41,864)</u>
Net Fixed Assets - Proprietary Funds	<u>\$115,908</u>

A summary of the general fixed assets follows:

	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$ 799,521	\$ 0	\$ 0	\$ 799,521
Building	6,494,595	7,689	0	6,502,284
Furniture and Equipment	1,200,807	78,369	9,236	1,269,940
Vehicles	<u>812,396</u>	<u>74,922</u>	<u>40,884</u>	<u>846,434</u>
Total	<u>\$9,307,319</u>	<u>\$160,980</u>	<u>\$ 50,120</u>	<u>\$9,418,179</u>

8. RISK MANAGEMENT

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2002, the School District contracted with the Selective Insurance Company for property and general liability insurance and boiler and machinery insurance with \$2,000,000 each occurrence, \$4,000,000 in annual aggregate limit, with a \$3,000,000 umbrella policy and \$1,000,000 for Errors and Omissions.

Vehicles are covered by Nationwide Insurance Company. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

Public officials bond insurance is provided by the Nationwide Insurance Company.

The School District is a member of the Van Wert Area School Insurance Group (VWASIG) a cooperative group of Van Wert County Schools established to provide a self-insurance fund to provide life insurance and pay medical/surgical, prescription drug, and dental benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member schools and is administered by Calends, Inc. of Fort Wayne, Indiana, with the Van Wert City Schools serving as fiscal agent.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Lincolnview Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent; 5.46% was the portion to fund pension obligations. For fiscal year 2001, 4.2 percent was the portion used to fund pension obligation. The contribution rates are not determined actuarially, but are established by the SERS Retirement Board within rates allowed by State statute. The adequacy of the contribution rates is determined annually.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$96,433, \$97,066, and \$100,744 respectively; 44% has been contributed for fiscal year 2002 and 100% for fiscal year 2001 and 2000. \$21,055 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds and general long term debt account group.

B. State Teachers Retirement System

The Lincolnview Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion to fund pension obligations. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$423,040, \$407,134, and \$391,705 respectively; 82% has been contributed for fiscal year 2002 and 100% for fiscal year 2001 and 2000. \$51,058 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds and general long term debt account group.

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 System/State Teachers Retirement System. As of June 30, 2001, four members of the Board of Education have elected social security with the other two contributing to SERS. The Board's liability is 6.2 percent of wages paid.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

10. POSTEMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District the amount to fund health care benefits equaled \$135,977 during the 2002 fiscal year. As of July 1, 2001, eligible benefit recipients totaled 102,132. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. The balance in the Fund was \$3,256 million at June 30, 2001.

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

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established as \$12,400. For the School District the amount to fund health care benefits, including surcharge equaled \$67,001 during the 2002 fiscal year. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2001, net health care costs paid by SERS were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of healthcare benefits of \$315.7 million.

11. EMPLOYEE BENEFITS

Compensated Absences - The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated anywhere up to a maximum of 190 to 260 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 40 days for classified employees and 45 days for certified employees.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

12. LONG-TERM DEBT

Long-term obligations of the School District at June 30, 2002 consisted of the following:

	<u>Principal Outstanding 6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/02</u>
Bond Issue:				
Maturing 12-1-25	\$5,700,000	\$ 0	\$100,000	\$5,600,000
Capital Appreciation Bonds	101,232	14,236	0	115,468
Intergovernmental Payable	40,048	0	2,154	37,894
Compensated Absences	<u>238,004</u>	<u>0</u>	<u>62,263</u>	<u>175,741</u>
Total General Long-Term Obligations	<u>\$6,079,284</u>	<u>\$14,236</u>	<u>\$164,417</u>	<u>\$5,929,103</u>

Compensated absences and intergovernmental payable will be paid from the fund which the person is paid. Compensated absences, additions and deductions have been netted because the calculations are estimates making it impractical to determine.

General Obligation Bond - On August 27, 1997, Lincolnview Local School District issued \$5,936,180 in school improvement bonds for the purpose of constructing a K-6 elementary building for the School District, under the authority of Ohio Revised Code Section 3317.22. The bond issue included serial, term and capital appreciation bonds in the amount of \$1,615,000, \$4,260,000 and \$61,180, respectively. The bonds were issued with final maturity during fiscal year 2025. The bonds will be retired from the debt service fund.

Principal and interest requirements to retire the bonds outstanding at June 30, 2002, are as follows:

Fiscal Year Ending	Principal	Interest	Total
2003	\$110,000	\$296,235	\$406,235
2004	115,000	291,228	406,228
2005	125,000	285,765	410,765
2006	135,000	279,717	414,717
2007	145,000	273,065	418,065
2008-2012	710,000	1,011,508	1,721,508
2013-2017	985,000	833,937	1,818,937
2018-2022	1,685,000	681,863	2,366,863
2022-2026	<u>1,590,000</u>	<u>165,000</u>	<u>1,755,000</u>
Total	<u>\$5,600,000</u>	<u>\$4,118,318</u>	<u>\$9,718,318</u>

The capital appreciation bonds will mature in fiscal years 2011 and 2012. The maturity amount of the bonds is \$210,000 and \$215,000 respectively. For the fiscal year 2002, \$14,236 was accreted for a total bond value of \$115,468.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

13. SERVICE CONTRACT COMMITMENTS

Lincolnview Local School District has entered into contracts with the STARR Commonwealth Schools and the Marsh Foundation. The students who attend these schools are by court order or other agency. These two schools are located in the Lincolnview Local School District and these students are entitled to an education from Lincolnview by state law. The School District provides material and teaching personnel for the education of these students. They are then reimbursed for these costs at the end of the fiscal year.

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and before and after school child care (Latchkey). The table below summarizes the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Latchkey</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$152,902	\$24,677	\$22,970	\$200,549
Operating Expenses before Depreciation	200,471	26,013	23,735	250,219
Depreciation	8,728	0	0	8,728
Operating Income (Loss)	(56,297)	(1,336)	(765)	(58,398)
Donated Commodities	23,042	0	0	23,042
Operating Grants	44,416	0	0	44,416
Interest	11	0	0	11
Net Income (Loss)	11,172	(1,336)	(765)	9,071
Net Working Capital	67,651	2,252	736	70,639
Total Assets	199,668	2,252	3,983	205,903
Total Equity	179,521	2,252	736	182,509
Encumbrances Outstanding At June 30, 2002	\$ 210	\$ 0	\$ 2,788	\$ 2,998

16. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven school districts. The jointly governed 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. Each of the governments of these schools supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804-1241.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Vantage Joint Vocational School - The Vantage Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Joint Vocational School at 818 North Franklin Street, Van Wert, Ohio 45891.

Van Wert Area Schools Consortium Local Professional Development Committee – The School District is a participant in the Van Wert Area Schools Consortium Local Professional Development Committee (the Committee) which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by a board made up of one teacher from Crestview Local School District, one teacher from Lincolnview Local School District, two teachers from Van Wert City School District, three teachers from Vantage Joint Vocational School District, two teachers collectively from the Western Buckeye Educational Service Center and the Thomas Edison MRDD, and one principal from the schools of the Consortium with terms of three years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Van Wert City School District, 641 North Jefferson Street, Van Wert.

17. GROUP PURCHASING POOLS

Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Plan - The District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the Northwest Ohio Area Computer Service Cooperative as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The superintendent of Findlay City Schools serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

Van Wert Area School Insurance Group (VWASIG) - The School District is a member of the Van Wert Area School Insurance Group (VWASIG) a cooperative group of Van Wert County Schools established to provide a self-insurance fund to provide life insurance and pay medical/surgical, prescription drug, and dental benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member schools and is administered by Calends Inc. of Fort Wayne, Indiana, with Van Wert City Schools acting as the fiscal agent.

18. CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

19. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations

20. STATUTORY RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2002, only the unspent portion of certain workers' compensation refunds is required to be set aside at fiscal year end.

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance 7/1/2001	\$(55,356)	\$ 0	\$19,162	\$(36,194)
Required Set-Aside	100,978	100,978	0	201,956
Offset Credits	(9,106)	(129,918)	0	(139,024)
Qualifying Expenditures	<u>(100,555)</u>	<u>(102,395)</u>	<u>0</u>	<u>(202,950)</u>
Balance, 6/30/2002	<u>\$ (64,039)</u>	<u>\$(131,335)</u>	<u>\$19,162</u>	<u>\$(176,212)</u>
Cash balance carried forward to year 2003	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$19,162</u>	<u>\$ 19,162</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set aside amounts to below zero, these extra amounts for textbooks may be used to reduce the set aside requirement of future years.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Cash and Cash Equivalents	\$2,559,850	\$115,929	\$150,494	\$180,953
Restricted Cash	19,162			
Receivables:				
Taxes	1,978,054		369,893	130,772
Accounts	118	92		
Intergovernmental	379,375	13,844		
Interfund Receivable	3,879			
Prepaid Items	12,761			
Inventory Held for Resale				
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Amount available in Debt Service Fund				
Amount to be Provided for Retirement of General Long-Term Debt				
Total Assets and Other Debits	<u>4,953,199</u>	<u>129,865</u>	<u>520,387</u>	<u>311,725</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	12,822	1,081		33,043
Accrued Salaries and Benefits	447,308	7,238		
Compensated Absences Payable	6,383			
Interfund Payable		3,879		
Intergovernmental Payable	89,814	3,105		
Deferred Revenue	2,142,223	6,901	338,889	119,953
Due to Students				
Bonds Payable				
Total Liabilities	<u>2,698,550</u>	<u>22,204</u>	<u>338,889</u>	<u>152,996</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved:				
Reserved for Encumbrances	10,714	1,846		95,320
Reserved for Prepaid Items	12,761			
Reserved for Property Taxes	161,876		31,004	10,819
Reserved for Debt Service			150,494	
Reserved for Principal				
Reserved for Budget Stabilization	19,162			
Unreserved Fund Balance	2,050,136	105,815		52,590
Total Fund Equity and Other Credits	<u>2,254,649</u>	<u>107,661</u>	<u>181,498</u>	<u>158,729</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,953,199</u>	<u>\$129,865</u>	<u>\$520,387</u>	<u>\$311,725</u>

The accompanying notes are an integral part of the financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
\$71,356	\$35,095			\$3,113,677 19,162
233	62			2,478,719 505
3,289				393,219 3,879 12,761 3,289
124,116		9,307,319		9,431,435 181,498
			181,498	
			5,897,786	5,897,786
<u>198,994</u>	<u>35,157</u>	<u>9,307,319</u>	<u>6,079,284</u>	<u>21,535,930</u>
74				47,020
10,210				464,756
4,971			238,004	249,358
				3,879
7,595			40,048	140,562
2,706				2,610,672
	32,053			32,053
			5,801,232	5,801,232
<u>25,556</u>	<u>32,053</u>		<u>6,079,284</u>	<u>9,349,532</u>
		9,307,319		9,307,319
136,940				136,940
36,498				36,498
				107,880
				12,761
				203,699
				150,494
	1,000			1,000
				19,162
	2,104			2,210,645
<u>173,438</u>	<u>3,104</u>	<u>9,307,319</u>		<u>12,186,398</u>
<u>\$198,994</u>	<u>\$35,157</u>	<u>\$9,307,319</u>	<u>\$6,079,284</u>	<u>\$21,535,930</u>

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Taxes	\$1,962,020		\$365,016	\$129,477		\$2,456,513
Tuition and Fees	597,655	2,818				600,473
Intergovernmental	2,799,223	256,227	42,336	164,626		3,262,412
Interest	172,934					172,934
Rent	4,323					4,323
Extracurricular Activities		82,030				82,030
Gifts and Donations	15,000	24,961			5,680	45,641
Miscellaneous	26,088	21,687				47,775
Total Revenues	5,577,243	387,723	407,352	294,103	5,680	6,672,101
Expenditures:						
Current:						
Instruction:						
Regular	2,327,291	26,389		61,533		2,415,213
Special	798,452	126,466				924,918
Vocational	129,965	2,364				132,329
Other	12,973			2,000		14,973
Support Services:						
Pupils	136,829	19,917				156,746
Instruction	153,023	25,229				178,252
Board of Education	17,878					17,878
Administration	625,851	25,534		1,000	6,095	658,480
Fiscal	164,328	2,113	9,431	3,359		179,231
Operation and Maintenance	408,607					408,607
Business		55				55
Transportation	297,830			32,046		329,876
Central Services	6,844					6,844
Extracurricular Activities	100,181	108,652				208,833
Capital Outlay	44,709			163,352		208,061
Debt Service:						
Principal			90,000			90,000
Interest			304,845			304,845
Total Expenditures	5,224,761	336,719	404,276	263,290	6,095	6,235,141
Excess (Deficiency) of Revenues Over (Under) Expenditures	352,482	51,004	3,076	30,813	(415)	436,960
Other Financing Sources (Uses):						
Other Financing Uses		(587)				(587)
Operating Transfers In			100,000			100,000
Operating Transfers Out				(100,000)		(100,000)
Total Other Financing Sources (Uses)		(587)	100,000	(100,000)		(587)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	352,482	50,417	103,076	(69,187)	(415)	436,373
Fund Balances (Deficits) at Beginning of Year	1,902,167	57,244	78,422	227,916	2,143	2,267,892
Fund Balances (Deficits) at End of Year	\$2,254,649	\$107,661	\$181,498	\$158,729	\$1,728	\$2,704,265

The accompanying notes are an integral part of the financial statements.

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**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types					
	General Fund			Special Revenue Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$1,935,060	\$1,970,010	\$34,950			
Tuition and Fees	542,035	551,821	9,786	3,759	2,818	(941)
Intergovernmental	2,791,618	2,799,223	7,605	259,461	249,284	(10,177)
Interest	167,068	172,934	5,866	569		(569)
Rent	4,000	4,324	324			
Extracurricular Activities				86,502	82,635	(3,867)
Gifts and Donations	16,002	15,000	(1,002)	19,823	24,961	5,138
Miscellaneous	25,790	26,028	238	20,052	21,595	1,543
Total Revenues	5,481,573	5,539,340	57,767	390,166	381,293	(8,873)
Expenditures:						
Current:						
Instruction:						
Regular	2,335,767	2,314,381	21,386	27,085	26,116	969
Special	829,644	800,073	29,571	157,580	129,569	28,011
Vocational	133,700	129,514	4,186			
Other	27,000	12,973	14,027			
Support Services:						
Pupils	136,115	133,819	2,296	20,207	19,917	290
Instruction	154,588	152,647	1,941	33,332	25,321	8,011
Board of Education	21,715	18,463	3,252			
Administration	638,913	624,301	14,612	28,628	25,727	2,901
Fiscal	171,869	163,867	8,002	2,174	2,194	(20)
Operation and Maintenance	409,135	419,256	(10,121)			
Transportation	308,365	303,780	4,585	126		126
Central Services	11,368	6,824	4,544			
Non-Instructional Services						
Extracurricular Activities	102,885	100,634	2,251	119,090	110,411	8,679
Capital Outlay	44,709	44,709				
Debt Service						
Debt Service - Principal						
Debt Service - Interest						
Total Expenditures	5,325,773	5,225,241	100,532	388,222	339,255	48,967
Excess (Deficiency) of Revenues Over (Under) Expenditures	155,800	314,099	158,299	1,944	42,038	40,094
Other Financing Sources (Uses):						
Operating Transfers In						
Proceeds from Sale of Fixed Assets	2,000		(2,000)			
Refund of Prior Year Expenditures	17,170	17,322	152			
Advances In	16,500	16,500			3,879	3,879
Operating Transfers Out						
Advances Out	(20,000)	(3,879)	16,121	(16,500)	(16,500)	
Other Financing Uses	(65,000)		65,000	(587)	(587)	
Total Other Financing Sources (Uses)	(49,330)	29,943	79,273	(17,087)	(13,208)	3,879
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	106,470	344,042	237,572	(15,143)	28,830	43,973
Fund Balances (Deficit) at Beginning of Year	2,193,912	2,193,912		80,243	80,243	
Prior Year Encumbrances Appropriated	22,916	22,916		3,929	3,929	
Fund Balances (Deficit) at End of Year	\$2,323,298	\$2,560,870	\$237,572	\$69,029	\$113,002	\$43,973

The accompanying notes are an integral part of the financial statements.

Governmental Fund Types						Fiduciary Fund Types		
Debt Service Funds			Capital Projects Fund			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$360,100	\$365,977	\$5,877	\$126,772	\$129,934	\$3,162			
41,250	42,335	1,085	165,500	164,626	(874)			
						5,422	5,681	259
401,350	408,312	6,962	292,272	294,560	2,288	5,422	5,681	259
			63,516	63,622	(106)			
			2,000	2,000				
10,500	9,430	1,070	1,000	1,000		6,490	6,095	395
			4,000	3,360	640			
			86,046	88,118	(2,072)			
			203,864	191,668	12,196			
90,000	90,000							
304,845	304,845							
405,345	404,275	1,070	360,426	349,768	10,658	6,490	6,095	395
(3,995)	4,037	8,032	(68,154)	(55,208)	12,946	(1,068)	(414)	654
100,000	100,000							
			(100,000)	(100,000)				
100,000	100,000		(100,000)	(100,000)				
96,005	104,037	8,032	(168,154)	(155,208)	12,946	(1,068)	(414)	654
46,457	46,457		131,525	131,525		1,852	1,852	
			87,352	87,352		290	290	
<u>\$142,462</u>	<u>\$150,494</u>	<u>\$8,032</u>	<u>\$50,723</u>	<u>\$63,669</u>	<u>\$12,946</u>	<u>\$1,074</u>	<u>\$1,728</u>	<u>\$654</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
Operating Revenues:			
Sales	\$180,420		\$180,420
Tuition	13,524		13,524
Other Revenues	685		685
Total Operating Revenue	<u>194,629</u>		<u>194,629</u>
Operating Expenses:			
Salaries	84,740		84,740
Fringe Benefits	17,572		17,572
Purchased Services	3,852		3,852
Materials and Supplies	131,152		131,152
Other	159		159
Capital Outlay	340		340
Depreciation	8,852		8,852
Total Operating Expenses	<u>246,667</u>		<u>246,667</u>
Operating (Loss)	<u>(52,038)</u>		<u>(52,038)</u>
Non-Operating Revenues (Expenses):			
Federal Donated Commodities	16,193		16,193
Interest	25	76	101
Loss on Disposal of Assets	(722)		(722)
Federal and State Subsidies	44,621		44,621
Total Non-Operating Revenues and (Expenses)	<u>60,117</u>	<u>76</u>	<u>60,193</u>
Net Income	8,079	76	8,155
Retained Earnings at Beginning of Year	28,419	1,300	29,719
Retained Earnings at End of Year	<u>36,498</u>	<u>1,376</u>	<u>37,874</u>
Contributed Capital at the Beginning and End of Year	136,940		136,940
Total Fund Equity at End of Year	<u>\$173,438</u>	<u>\$1,376</u>	<u>\$174,814</u>

The accompanying notes are an integral part of the financial statements.

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Proprietary Fund Types			Fiduciary Funds		
	Enterprise Funds			Non-Expendable Trust Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Tuition	\$13,911	\$13,991	\$80			
Sales	185,224	180,255	(4,969)			
Federal and State Subsidies	39,963	44,621	4,658			
Interest	16	25	9	69	76	7
Miscellaneous	420	680	260			
Refund of Prior Year Expense	156		(156)			
Total Revenues	<u>239,690</u>	<u>239,572</u>	<u>(118)</u>	<u>69</u>	<u>76</u>	<u>7</u>
Expenditures:						
Salaries	88,000	82,195	5,805			
Fringe Benefits	21,400	19,161	2,239			
Purchased Services	3,500	4,832	(1,332)			
Materials and Supplies	117,949	114,786	3,163			
Other	300	159	141			
Capital Outlay	500	340	160			
Total Expenditures	<u>231,649</u>	<u>221,473</u>	<u>10,176</u>			
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,041	18,099	10,058	69	76	7
Fund Balance beginning of Year	51,552	51,552		1,300	1,300	
Prior Year Encumbrances Appropriated	299	299				
Fund Balance end of Year	<u>\$59,892</u>	<u>\$69,950</u>	<u>\$10,058</u>	<u>\$1,369</u>	<u>\$1,376</u>	<u>\$7</u>

The accompanying notes are an integral part of the financial statements.

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type	Fiduciary Funds	Totals
	Enterprise	Non-Expendable Trust	(Memorandum Only)
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$194,926		\$194,926
Cash Payments to Suppliers for Goods and Services	(118,711)		(118,711)
Cash Payments to Employees for Services	(82,195)		(82,195)
Cash Payments for Employee Benefits	(19,161)		(19,161)
Net Cash Provided by (Used for) Operating Activities	(25,141)		(25,141)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	44,620		44,620
Interest	25	\$76	101
Net Cash Provided by (Used for) Noncapital Financing Activities	44,645	76	44,721
Net Increase (Decrease) in Cash and Cash Equivalents	19,504	76	19,580
Cash and Cash Equivalents at Beginning of Year	51,852	1,300	53,152
Cash and Cash Equivalents at End of Year	71,356	1,376	72,732
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	(52,038)		(52,038)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	8,852		8,852
Donated Commodities Used During Year	16,193		16,193
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	297		297
(Increase)/Decrease in Commodities Inventory	(55)		(55)
Increase/(Decrease) in Accounts Payable	74		74
Increase/(Decrease) in Accrued Salaries and Benefits	2,865		2,865
Increase/(Decrease) in Compensated Absences Payable	(430)		(430)
Increase/(Decrease) in Intergovernmental Payables	(1,479)		(1,479)
Increase/(Decrease) in Deferred Revenue	580		580
Total Adjustments	26,897		26,897
Net Cash Provided by Operating Activities	(\$25,141)	\$0	(\$25,141)
Reconciliation of Trust and Agency Funds:			
Cash and Cash Equivalents - All Fiduciary Funds	\$35,095		
Cash and Cash Equivalents - All Agency Funds	(31,991)		
Cash and Cash Equivalents - All Expendable Trust Funds	(1,728)		
Cash and Cash Equivalents - All Non-Expendable Trust Funds	\$1,376		

The accompanying notes are an integral part of the financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Lincolnview Local School District is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District is located in rural farm land within Van Wert County, consisting of residences. The School District is the 533rd largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 39 non-certificated employees and 72 certificated full-time teaching personnel who provide services to 858 students and other community members.

A. Reporting Entity:

The reporting entity is comprised of the primary government and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Lincolnview Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with five organizations which are defined as jointly governed organizations, and two public entity risk pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Van Wert Schools Consortium Local Professional Development Committee, Vantage Joint Vocational School, the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan, and the Van Wert Area School Insurance Group (VWASIG). These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lincolnview Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types

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

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds

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

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All enterprise funds and nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary fund types and nonexpendable trust fund.

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue.

Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred 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. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

C. Budgetary Data

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 primary level of budgetary control is at the object within the General fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. 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 the Van Wert County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2001, investments were limited to non-negotiable certificates of deposit and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$172,934, which includes \$26,518 assigned from other School District funds.

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the general fund represents cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds prior to fiscal year 2001 that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings.

Capital contributions received from other governments and private sources subsequent to fiscal year 2000 are recorded as revenues and reported as retained earnings.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property tax, budget stabilization, principal, prepaid items, and debt service.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The reserve for principal signifies legal restrictions on the use of principal in the nonexpendable trust fund.

O. Total Columns on General Purpose Financial Statements

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

P. Estimates

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the School District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Budget Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Budget Basis) and Actual - All Proprietary Fund Types and Similar Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP basis - fund balance	\$2,254,649	\$107,661	\$181,498	\$ 158,729	\$1,728
Adjustment for GAAP basis:					
Accrued revenues/prepaid Expenses	(2,374,187)	(13,936)	(369,893)	(130,772)	0
Accrued expenditures/ deferred revenue	2,698,550	22,204	338,889	152,996	0
Encumbrances outstanding (budget basis)	<u>(18,142)</u>	<u>(2,927)</u>	<u>0</u>	<u>(117,284)</u>	<u>0</u>
Budget basis - fund balance	<u>\$2,560,870</u>	<u>\$113,002</u>	<u>\$150,494</u>	<u>\$ 63,669</u>	<u>\$1,728</u>

	<u>Enterprise</u>	<u>Non-Expendable Trust</u>
GAAP basis	\$173,438	\$1,376
Increased (Decrease) due to:		
Revenue accruals	(124,350)	0
Expenses accruals	25,556	0
Materials and supplies inventory	(3,289)	0
Encumbrances outstanding (budget basis)	<u>(1,405)</u>	<u>0</u>
Budget basis	<u>\$69,950</u>	<u>\$1,376</u>

5. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Interim monies may be invested in the following obligations. In general, investments must mature or be redeemable within two years from the date of purchase:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests 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 School 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 securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end, the School District had \$290 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$1,402,427 and the bank balance was \$1,532,570. \$132,570 was covered by federal depository insurance. \$1,400,000 was unpledged and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments - GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," requires that local governments disclose the fair value and carrying amounts of investments, classified by risk. The School District's investments are categorized as either (1) insured or registered or for which the securities are held by the School District or its agent in the School District's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the School District's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District had an investment in a repurchase agreement with a fair value of \$127,356 as of June 30, 2002 and is classified in Category 3. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2002, the fair value of funds on deposit with STAR Ohio was \$1,602,766.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,".

A reconciliation between the classifications of cash and investments on the combined 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 9	\$ 3,132,839	\$ 0
Cash on Hand	(290)	0
Repurchase Agreements	(127,356)	127,356
Investments:		
STAR Ohio	<u>(1,602,766)</u>	<u>1,602,766</u>
GASB Statement 3	<u>\$ 1,402,427</u>	<u>\$1,730,122</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true 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.

Tangible personal property taxes paid 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.

The School District receives property taxes from Van Wert County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001 is recognized as revenue.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second-Half Collections		2001 First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Residential/Agricultural and Other Real Estate	\$59,329,170	88.69%	\$60,184,970	88.42%
Public Utilities Personal	4,690,980	7.01	4,808,640	7.07
Tangible Personal Property	<u>2,872,610</u>	<u>4.30</u>	<u>3,070,680</u>	<u>4.51</u>
Total Valuation	<u>\$66,892,760</u>	<u>100%</u>	<u>\$68,064,290</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$54.90		\$54.90	

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (billings for user charged services and student fees), interfund, and intergovernmental grants. 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 fiscal year guarantee of federal funds.

		Amounts
General	Taxes	\$1,978,054
	Accounts	118
	Intergovernmental	379,375
Special Revenue Funds	Accounts	92
	Intergovernmental	13,844
Debt Service Funds	Taxes	369,893
Capital Projects Funds	Taxes	130,772
Enterprise Funds	Accounts	233
Trust and Agency	Accounts	62
		<u>62</u>
Total Receivables		<u>\$2,872,443</u>

8. FIXED ASSETS

A summary of the Proprietary Fund property, plant, and equipment at June 30, 2001, is as follows:

	Balance June 30, 2001
Furniture and Equipment	\$157,252
Less: Accumulated Depreciation to June 30, 2001	<u>(33,136)</u>
Net Fixed Assets - Proprietary Funds	<u>\$124,116</u>

A summary of the general fixed assets follows:

	Balance at 6/30/00	Additions	Deletions	Adjustments	Balance at 6/30/01
Land and Improvements	\$ 799,521	\$ 0	\$ 0	\$ 0	\$ 799,521
Building	6,410,959	83,636	0	0	6,494,595
Furniture and Equipment	1,156,958	73,757	31,172	1,264	1,200,807
Vehicles	811,982	58,914	58,500	0	812,396
Construction in Progress	<u>34,358</u>	<u>0</u>	<u>34,358</u>	<u>0</u>	<u>0</u>
Total	<u>\$9,213,778</u>	<u>\$216,307</u>	<u>\$124,030</u>	<u>\$1,264</u>	<u>\$9,307,319</u>

The Construction in Progress Account contains capitalized cost incurred to date for construction of a new elementary building.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

9. RISK MANAGEMENT

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2000, the School District contracted with the Nationwide Insurance Company for property and general liability insurance and boiler and machinery insurance. Professional liability is protected by Nationwide Insurance Company with \$2,000,000 each occurrence, \$5,000,000 in annual aggregate limit, with a \$3,000,000 umbrella policy.

Vehicles are also covered by Nationwide Insurance Company. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

Public officials bond insurance is provided by the Nationwide Insurance Company.

The School District is a member of the Van Wert Area School Insurance Group (VWASIG) a cooperative group of Van Wert County Schools established to provide a self-insurance fund to provide life insurance and pay medical/surgical, prescription drug, and dental benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member schools and is administered by Calends, Inc. of Fort Wayne, Indiana, with the Van Wert City Schools serving as fiscal agent.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Lincolnview Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent; 4.2% was the portion to fund pension obligations. For fiscal years 2000 and 1999 5.5% and 7.7% were used to fund pension obligations, respectively. The contribution rates are not determined actuarially, but are established by the SERS Retirement Board within rates allowed by State statute. The adequacy of the contribution rates is determined annually.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$97,066, \$100,744, and \$94,547 respectively; 41% has been contributed for fiscal year 2001 and 100% for fiscal years 2000 and 1999. \$17,082 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective fund and the general long term debt account group.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The Lincolnview Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$407,134, \$391,705, and \$206,714 respectively; 82% has been contributed for fiscal year 2001 and 100% for fiscal years 2000 and 1999. \$49,521 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability in respective funds and the general long term debt account group.

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 System/State Teachers Retirement System. As of June 30, 2001, four members of the Board of Education have elected social security with the other two contributing to SERS. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For School District, the amount to fund health care benefits equaled \$130,864 during the 2001 fiscal year. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000. As of July 1, 2000, eligible benefit recipients totaled 99,011. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. POSTEMPLOYMENT BENEFITS

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

For this fiscal year, employer contributions to fund health care benefits were 4.21 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established as \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$78,588 during the 2001 fiscal year. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2000, net health care costs paid by SERS were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million.

12. EMPLOYEE BENEFITS

Compensated Absences - The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated anywhere up to a maximum of 190 to 260 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 40 days for classified employees and 45 days for certified employees.

13. LONG-TERM DEBT

Long-term obligations of the School District at June 30, 2001 consisted of the following:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
Bond Issue:				
Maturing 12-1-25	\$5,790,000	\$ 0	\$ 90,000	\$5,700,000
Capital Appreciation Bonds	88,751	12,481	0	101,232
Intergovernmental Payable	40,390	0	342	40,048
Compensated Absences	<u>243,790</u>	<u>0</u>	<u>5,786</u>	<u>238,004</u>
Total General Long-Term Obligations	<u>\$6,162,931</u>	<u>\$12,481</u>	<u>\$ 96,128</u>	<u>\$6,079,284</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

13. LONG-TERM DEBT (Continued)

Compensated absences and intergovernmental payable will be paid from the fund which the person is paid. Compensated absences, additions and deductions have been netted because the calculations are estimates making it impractical to determine.

General Obligation Bond - On August 27, 1997, Lincolnview Local School District issued \$5,936,180 in school improvement bonds for the purpose of constructing a K-6 elementary building for the School District, under the authority of Ohio Revised Code Section 3317.22. The bond issue included serial, term and capital appreciation bonds in the amount of \$1,615,000, \$4,260,000 and \$61,180, respectively. The bonds were issued with final maturity during fiscal year 2025. The bonds will be retired from the debt service fund.

Principal and interest requirements to retire the bonds outstanding at June 30, 2001, are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$100,000	\$300,805	\$400,805
2003	110,000	296,235	406,235
2004	115,000	291,228	406,228
2005	125,000	285,765	410,765
2006	135,000	279,718	414,718
2007-2011	855,000	1,284,573	2,139,573
2012-2016	710,000	646,251	1,356,251
2017-2021	1,575,000	771,514	2,346,514
2021-2026	<u>1,975,000</u>	<u>263,039</u>	<u>2,238,039</u>
Total	<u>\$5,700,000</u>	<u>\$4,419,128</u>	<u>\$10,119,128</u>

The capital appreciation bonds will mature in fiscal years 2011 and 2012. The maturity amount of the bonds is \$210,000 and \$215,000 respectively. For the fiscal year 2001, \$12,481 was accreted for a total bond value of \$101,232.

14. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2001, consist of the following individual fund receivables and payables:

	Receivable	Payable
Interfund Receivable/Payable		
General	\$ 3,879	\$ 0
Special Revenue Fund	<u>0</u>	<u>3,879</u>
Total	<u>\$ 3,879</u>	<u>\$ 3,879</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

15. SERVICE CONTRACT COMMITMENTS

Lincolnview Local School District has entered into contracts with the STARR Commonwealth Schools and the Marsh Foundation. The students who attend these schools are by court order or other agency. These two schools are located in the Lincolnview Local School District and these students are entitled to an education from Lincolnview by state law. The School District provides material and teaching personnel for the education of these students. They are then reimbursed for these costs at the end of the fiscal year.

16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and before and after school child care (Latchkey). The table below summarizes the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Latchkey</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$158,660	\$21,765	\$14,204	\$194,629
Operating Expenses				
before Depreciation	195,596	26,053	16,166	237,815
Depreciation	8,852	0	0	8,852
Operating Income (Loss)	(45,788)	(4,288)	(1,962)	(52,038)
Donated Commodities	16,193	0	0	16,193
Operating Grants	44,621	0	0	44,621
Interest	25	0	0	25
Gain (Loss) on Disposal of Assets	(722)	0	0	(722)
Net Income (Loss)	14,329	(4,288)	(1,962)	8,079
Net Working Capital	49,204	3,588	1,501	54,293
Total Assets	192,408	3,588	2,998	198,994
Total Equity	168,349	3,588	1,501	173,438
Encumbrances Outstanding at June 30, 2001	\$ 980	\$ 0	\$ 426	\$ 1,406

17. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven school districts. The jointly governed 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. Each of the governments of these schools supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804-1241.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Vantage Joint Vocational School - The Vantage Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Joint Vocational School at 818 North Franklin Street, Van Wert, Ohio 45891.

Van Wert Area Schools Consortium Local Professional Development Committee – The School District is a participant in the Van Wert Area Schools Consortium Local Professional Development Committee (the Committee) which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by a board made up of one teacher from Crestview Local School District, one teacher from Lincolnview Local School District, two teachers from Van Wert City School District, three teachers from Vantage Joint Vocational School District, two teachers collectively from the Western Buckeye Educational Service Center and the Thomas Edison MRDD, and one principal from the schools of the Consortium with terms of three years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Van Wert City School District, 641 North Jefferson Street, Van Wert.

18. GROUP PURCHASING POOLS

Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Plan

- The District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the Northwest Ohio Area Computer Service Cooperative as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The superintendent of Findlay City Schools serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

Van Wert Area School Insurance Group (VWASIG) - The School District is a member of the Van Wert Area School Insurance Group (VWASIG) a cooperative group of Van Wert County Schools established to provide a self-insurance fund to provide life insurance and pay medical/surgical, prescription drug, and dental benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member schools and is administered by Calends Inc. of Fort Wayne, Indiana, with Van Wert City Schools acting as the fiscal agent.

19. CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

20. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations

20. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the District was not required to set aside any general fund revenues due to the fact that they did not have a 3% increase in revenues.

During fiscal year ended June 30, 2001, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/2000	\$ (29,259)	\$ 0	\$67,335	\$ 38,076
Required Set-Aside	108,218	108,218	0	216,436
Offset Credits	0	(137,388)	0	(137,388)
Amount Unrestricted by State Statute	0	0	(48,173)	(48,173)
Qualifying Expenditures	<u>(134,315)</u>	<u>(102,646)</u>	<u>0</u>	<u>(236,961)</u>
Balance, 6/30/2001	<u>\$ (55,356)</u>	<u>\$(131,816)</u>	<u>\$19,162</u>	<u>\$(168,010)</u>
Cash balance carried forward to year 2001	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$19,162</u>	<u>\$ 19,162</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set aside amounts to below zero, these extra amounts for textbooks may be used to reduce the set aside requirement of future years.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Lincolnview Local School District
Van Wert County
15945 Middle Point Road
Van Wert, Ohio 45891

To the Board of Education:

We have audited the financial statements of the Lincolnview Local School District, Van Wert County, (the District), as of and for the years ended June 30, 2002 and 2001, and have issued our report thereon dated December 3, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 3, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 3, 2002.

Lincolnview Local School District
Van Wert County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

December 3, 2002



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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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LINCOLNVIEW LOCAL SCHOOL DISTRICT

VAN WERT 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
JANUARY 7, 2003**