



**Auditor of State  
Betty Montgomery**



**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANT'S REPORT

Van Wert City School District  
Van Wert County  
205 W. Crawford Street  
Van Wert, Ohio 45891

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Wert City School District, Van Wert County (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2004, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 21, 2005

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

The discussion and analysis of Van Wert City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Key highlights for fiscal year 2004 are as follows:

In total, net assets increased \$594,743, or 9 percent, not an overly significant change from the prior fiscal year. This increase is primarily the result of the addition of income tax revenues. During November 2003, the voters approved a one percent five-year income tax levy. The School District did not receive income taxes previously.

General revenues were \$17,415,970 for fiscal year 2004, or 85 percent of total revenues, and reflect the School District's continued dependence on tax revenues and unrestricted state entitlements.

During November 2001, the voters of the School District approved a 7.2 mill school building construction bond issue. This issue is for the construction of a new middle school/high school complex, with a privately funded performing arts center, and is an expedited Ohio School Facilities Commission project. The site preparation work is complete and construction of the facility has begun. Construction is expected to take approximately eighteen to twenty-four months with occupancy planned for the 2006/2007 school year.

The School District's five-year forecast, approved by the Board of Education during January 2005, illustrates that estimated operating revenues are expected to exceed estimated operating expenses in each forecasted fiscal year from 2005 through 2007. It is estimated that operating expenses will exceed operating revenues during fiscal year 2008 and during fiscal year 2009. As mentioned above, during November 2003, voters of the School District approved a one percent five-year income tax levy. This levy is expected to generate approximately \$2,200,000 in operating revenues annually. Calendar year 2008 is the last year of collection of this tax. It will be necessary to seek renewal of the income tax during calendar year 2008 so there is no interruption in collection. All property tax levies for operating funds are continuing levies; however, personal property valuation is decreasing because of changes in State Law that are phasing out the inventory portion of personal property tax. A lack of significant increases in State foundation funding has also negatively affected our balances. The Administration, with the approval of the Board of Education, has implemented a cost reduction plan designed to reduce expenditures by \$700,000 over the two-year period ending June 30, 2005. The Administration will continue to make every effort to reduce costs while maintaining an exceptional educational program.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For the School District, the General Fund, Bond Retirement Debt Service Fund, and Construction Capital Projects Fund are the most significant funds.

**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District's activities are reported as governmental activities, including instruction, support services, non-instructional services, and extracurricular activities.

**Reporting the School District's Most Significant Funds**

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund, Bond Retirement Debt Service Fund, and Construction Capital Projects Fund.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.



**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2004 compared to fiscal year 2003:

**Table 1  
Net Assets**

	<b>Governmental Activities</b>	
	<b>2004</b>	<b>2003</b>
<b>Assets:</b>		
Current and Other Assets	\$39,041,383	\$39,459,294
Capital Assets, Net	6,748,600	5,469,190
Total Assets	45,789,983	44,928,484
<b>Liabilities:</b>		
Current and Other Liabilities	10,449,883	10,216,003
Long-Term Liabilities	28,049,545	28,016,669
Total Liabilities	38,499,428	38,232,672
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	5,225,498	5,400,525
Restricted	3,495,877	2,329,686
Unrestricted (Deficit)	(1,430,820)	(1,034,399)
Total Net Assets	\$7,290,555	\$6,695,812

Total assets increased \$861,499, or almost two percent. While the overall change is insignificant, there were a couple of notable changes. Calendar year 2004 was the first year of collection of the one percent income tax approved during November 2003. As a result, a \$506,486 receivable for income taxes is included in current and other assets. A review of the above table however demonstrates that current and other assets decreased from the prior fiscal year. The decrease is the result of investments applied towards construction activities and is reflected in the increase in capital assets.

Total liabilities increased \$266,756, a minor change of less than one percent. The only change of note within the various liability accounts was the increase in deferred revenue (a result of the increase in income taxes receivable).

The increase in restricted net assets is primarily related to capital projects activities through a combination of resources restricted for construction activities as well as tax resources restricted to permanent improvements. An increase in grant related receivables also added to this increase.

Two primary factors contributed to the decrease in unrestricted net assets. First, the annual increase in accretion on the capital appreciation bonds results in a decrease in unrestricted net assets. In addition, funds with deficit net assets result in a reduction in unrestricted net assets.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

Table 2 reflects the changes in net assets for fiscal year 2004 and fiscal year 2003.

**Table 2  
Change in Net Assets**

	<b>Governmental Activities</b>	
	<b>2004</b>	<b>2003</b>
<b>Revenues:</b>		
Program Revenues		
Charges for Services	\$974,076	\$592,889
Operating Grants, Contributions, and Interest	1,980,229	1,933,753
Capital Grants and Contributions	61,551	17,277
Total Program Revenues	<u>3,015,856</u>	<u>2,543,919</u>
General Revenues		
Property Taxes Levied for General Purposes	6,175,203	5,874,308
Property Taxes Levied for Debt Service	1,449,842	818,465
Property Taxes Levied for Permanent Improvements	414,460	550,966
Income Taxes Levied for General Purposes	658,242	0
Grants and Entitlements	8,095,964	7,512,080
Interest	392,108	549,343
Gifts and Donations	62,599	88,876
Miscellaneous	167,552	131,131
Total General Revenues	<u>17,415,970</u>	<u>15,525,169</u>
Total Revenues	<u>20,431,826</u>	<u>18,069,088</u>
<b>Expenses:</b>		
Instruction:		
Regular	\$9,236,326	\$8,676,028
Special	2,376,233	1,987,119
Vocational	143,325	191,313
Support Services:		
Pupils	635,697	608,294
Instructional Staff	999,326	990,675
Board of Education	53,559	55,754
Administration	1,450,118	1,425,063
Fiscal	517,915	466,722
Operation and Maintenance of Plant	1,296,212	1,310,471
Pupil Transportation	333,059	318,007
Central	221,521	196,973
Non-Instructional Services	732,239	730,774
Extracurricular Activities	488,899	482,202
Interest and Fiscal Charges	1,352,654	1,402,455
Total Expenses	<u>19,837,083</u>	<u>18,841,850</u>
Increase (Decrease) in Net Assets	<u>\$594,743</u>	<u>(\$772,762)</u>

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

Program revenues make up approximately 15 percent of total revenues and are primarily represented by restricted intergovernmental revenues, tuition and fees, charges for extracurricular activities, and food service sales. While overall program revenues were up slightly from the prior fiscal year, the percentage of program revenues to total revenues remained consistent with the prior fiscal year.

General revenues continued to remain at approximately 85 percent of total revenues are almost entirely property taxes, income taxes, and unrestricted State entitlements (96 percent). Again, as the percentage of general revenues remained fairly constant with the prior fiscal year, increases were realized in several areas. Increases were realized in property taxes as a result of a full year of collections on the 7.2 mill levy for construction. In addition, income tax revenues were realized from the one percent income tax levy. Finally, there was a modest increase in unrestricted entitlements (primarily state foundation resources).

Like revenues, expenses remained very comparable to fiscal year 2003 with only minor fluctuations within any expense program. The major program expenses for governmental activities are for instruction, which are approximately 59 percent of total governmental expenses. The largest increase here, in special instruction, is due to increased personnel cost (salaries and fringe benefits) and increases in special education purchased services (which are special education excess costs paid to other entities providing special education services). Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation are 10 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, over 6 percent. Therefore, over 75 percent of the School District's expenses are related to the primary functions of providing facilities and delivering education. Administration costs of \$1,450,118, or a little over 7 percent of overall expenses, are comparable to other school districts of Van Wert City School District's size and student population. Non-instructional services costs include not only the operations of the School District's cafeteria, but also the flow-through costs associated with St. Mary of Assumption parochial school. Interest and fiscal charges were over 6 percent of total expenses for fiscal year 2004 due to interest on general obligation bonds.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Instruction:</b>				
Regular	\$9,236,326	\$8,676,028	\$8,393,684	\$8,242,259
Special	2,376,233	1,987,119	1,199,967	866,528
Vocational	143,325	191,313	114,246	149,397
<b>Support Services:</b>				
Pupils	635,697	608,294	617,402	586,657
Instructional Staff	999,326	990,675	998,070	989,207
Board of Education	53,559	55,754	53,559	55,754
Administration	1,450,118	1,425,063	1,450,118	1,425,063
Fiscal	517,915	466,722	511,115	459,922
Operation and Maintenance of Plant	1,296,212	1,310,471	1,296,212	1,310,471
Pupil Transportation	333,059	318,007	324,583	300,730
Central	221,521	196,973	200,521	172,473

(continued)

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Non-Instructional Services	732,239	730,774	12,313	20,734
Extracurricular Activities	488,899	482,202	296,783	316,281
Interest and Fiscal Charges	1,352,654	1,402,455	1,352,654	1,402,455
<b>Total Expenses</b>	<b>\$19,837,083</b>	<b>\$18,841,850</b>	<b>\$16,821,227</b>	<b>\$ 16,297,931</b>

A review of the above table reveals, once again, that fiscal year 2004 was very similar to fiscal year 2003. There were few fluctuations in the total cost or net cost of services. As can be seen, the dependence on general revenues for most programs is significant. Only several of the School District's programs receive a notable amount of program revenues to offset program costs. One of those programs is special instruction as almost 50 percent of this program is provided for through operating grants restricted for special instruction purposes. The non-instructional program received over 98 percent of its funding through program revenues. This includes not only cafeteria sales and state and federal subsidies and donated commodities for food service operations, it also includes operating grants received on behalf of St. Mary of Assumption parochial school. Lastly, over 39 percent of extracurricular activities expenses are provided for through program revenues. This is primarily from music and athletic fees, ticket sales, and gate receipts.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$20,201,743 and expenditures \$21,077,824. The overall negative change of \$876,081 in fund balance was 3 percent. More importantly were the changes reflected in the School District's major funds. The General Fund had a decrease of over 8 percent in fund balance. While expenditures exceeded revenues for the fiscal year, collections from the new income tax and spending reductions approved by the Board of Education will help alleviate this situation. While the Bond Retirement Fund's fund balance increased 44 percent, current year revenues continue to be sufficient to make the annual debt payments and related charges. The fund balance in the Construction Fund decreased almost 4 percent. This fund balance will continue to decrease as construction progresses.

**General Fund Budgeting Highlights**

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

During fiscal year 2004, the School District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$15,555,384, were above original budgeted revenues, in the amount of \$14,795,888, approximately 5 percent. The change was not that significant; however, tuition and fees increased as a result of a change in the accounting treatment of open enrollment revenues and expenditures. These amounts were recorded as a net revenue or expenditure previously; however, in fiscal year 2004 revenues and expenditures were recorded at gross. Actual revenues match the final budgeted amounts as the School District amended its certificate of estimated resources prior to fiscal year end.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

Final expenditures were approximately 3 percent greater than original budgeted amounts and no individual program had a change of great significance. Actual expenditures were less than budgeted amounts by one percent as the School District was able to moderately restrict spending in several areas.

The change in fund balance in the General Fund for fiscal year 2004 was a decrease of \$556,183. This can be attributed to salary and fringe benefit costs increasing due to negotiated agreements, increased unfunded requirements for special education, inflationary factors, and reduced growth in State funding. Although there was a reduction in the fund balance during fiscal year 2004, it is not anticipated that there will be any further reduction in the fund balance until fiscal year 2008 due the passage of a five-year one percent income tax.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2004, the School District had \$6,748,600 invested in capital assets (net of accumulated depreciation), a 23 percent increase. The increase was primarily due to construction on the middle school/high school. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

**Debt**

At June 30, 2004, the School District had outstanding general obligation bonds, in the amount of \$26,132,792. The bonds were issued for the construction of a new middle school/high school. The bonds were issued for a twenty-eight year period, with final maturity in fiscal year 2031. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 17 to the basic financial statements.

**Current Issues**

The passage of the one percent five-year income tax during November 2003 should allow the School District to continue to operate through the next five-year period; however, a solution to the unconstitutional school funding system in Ohio is the most urgent current issue for every public school system in the State. Van Wert City School District, as well as many schools in the State, has been forced to reduce instructional staff and educational programming in an effort to cope with rising costs.

During fiscal year 2004, the net cost of open enrollment for the School District was \$480,600 and during fiscal year 2005 the net cost is estimated at \$405,400. The School Board, Administration, and staff are continuing to work to reduce this cost. It is hoped that construction of the new middle school/high school will have a positive impact on open enrollment as well as a positive impact on economic development for the Van Wert area.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mike Owens, Treasurer, Van Wert City School District, 205 West Crawford Street, Van Wert, Ohio 45891.

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**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,090,172
Cash and Cash Equivalents with Escrow Agent	46,985
Investments with Fiscal Agent	24,140,706
Accounts Receivable	17,517
Accrued Interest Receivable	9,268
Intergovernmental Receivable	233,206
Prepaid Items	178,041
Inventory Held for Resale	36,914
Materials and Supplies Inventory	10,122
Income Taxes Receivable	506,486
Property Taxes Receivable	8,443,378
Unamortized Issuance Costs	328,588
Nondepreciable Capital Assets	2,387,989
Depreciable Capital Assets, Net	4,360,611
	<b>45,789,983</b>
<b>Total Assets</b>	
<b>Liabilities:</b>	
Accounts Payable	29,955
Accrued Wages and Benefits Payable	1,993,206
Matured Compensated Absences Payable	22,282
Intergovernmental Payable	487,437
Accrued Interest Payable	88,689
Deferred Revenue	7,781,329
Retainage Payable	46,985
Long-Term Liabilities:	
Due Within One Year	522,052
Due in More Than One Year	27,527,493
	<b>38,499,428</b>
<b>Total Liabilities</b>	
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	5,225,498
Restricted For:	
Set Asides	52,993
Debt Service	380,743
Capital Projects	2,590,625
Other Purposes	375,335
Needy Students/Educational Purposes	
Expendable	18,087
Nonexpendable	78,094
Unrestricted (Deficit)	(1,430,820)
	<b>\$7,290,555</b>
<b>Total Net Assets</b>	

*See accompanying notes to basic financial statements.*

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions, and Interest</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$9,236,326	\$505,519	\$284,048	\$53,075
Special	2,376,233		1,176,266	
Vocational	143,325		29,079	
Support Services:				
Pupils	635,697		18,295	
Instructional Staff	999,326		1,256	
Board of Education	53,559			
Administration	1,450,118			
Fiscal	517,915	6,800		
Operation and Maintenance of Plant	1,296,212			
Pupil Transportation	333,059			8,476
Central	221,521		21,000	
Non-Instructional Services	732,239	337,672	382,254	
Extracurricular Activities	488,899	124,085	68,031	
Interest and Fiscal Charges	1,352,654			
<b>Total Governmental Activities</b>	<b>\$19,837,083</b>	<b>\$974,076</b>	<b>\$1,980,229</b>	<b>\$61,551</b>

**General Revenues:**

Property Taxes Levied for General Purposes  
Property Taxes Levied for Debt Service  
Property Taxes Levied for Permanent Improvements  
Income Taxes Levied for General Purposes  
Grants and Entitlements not Restricted to Specific Programs  
Interest  
Gifts and Donations  
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year - Restated (Note 3)

Net Assets at End of Year

*See accompanying notes to the basic financial statements.*



**Net (Expense) Revenue  
and Change in Net Assets**

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**Governmental  
Activities**

---

(\$8,393,684)  
(1,199,967)  
(114,246)

(617,402)  
(998,070)  
(53,559)  
(1,450,118)  
(511,115)  
(1,296,212)  
(324,583)  
(200,521)  
(12,313)  
(296,783)  
(1,352,654)

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(16,821,227)

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6,175,203  
1,449,842  
414,460  
658,242  
8,095,964  
392,108  
62,599  
167,552

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17,415,970

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594,743

6,695,812

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\$7,290,555

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**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	<u>General</u>	<u>Bond Retirement</u>	<u>Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,991,131	\$338,622	\$21,478	\$1,685,948	\$5,037,179
Investments with Fiscal Agent			24,140,706		24,140,706
Accounts Receivable	17,392			125	17,517
Accrued Interest Receivable	8,554			714	9,268
Intergovernmental Receivable	37,209			195,997	233,206
Interfund Receivable	103,199				103,199
Prepaid Items	161,138		5,493	11,410	178,041
Inventory Held for Resale				36,914	36,914
Materials and Supplies Inventory				10,122	10,122
<b>Restricted Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	52,993				52,993
Cash and Cash Equivalents with Escrow Agent			46,985		46,985
Income Taxes Receivable	506,486				506,486
Property Taxes Receivable	6,502,064	1,507,695		433,619	8,443,378
<b>Total Assets</b>	<u>10,380,166</u>	<u>1,846,317</u>	<u>24,214,662</u>	<u>2,374,849</u>	<u>38,815,994</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities</b>					
Accounts Payable	29,045			910	29,955
Accrued Wages and Benefits Payable	1,847,645			145,561	1,993,206
Matured Compensated Absences Payable	22,282				22,282
Intergovernmental Payable	339,218			24,251	363,469
Interfund Payable				103,199	103,199
Deferred Revenue	6,220,943	1,395,045		575,165	8,191,153
<b>Payable from Restricted Assets:</b>					
Retainage Payable			46,985		46,985
<b>Total Liabilities</b>	<u>8,459,133</u>	<u>1,395,045</u>	<u>46,985</u>	<u>849,086</u>	<u>10,750,249</u>
<b>Fund Balances:</b>					
Reserved for Property Taxes	414,609	112,650		29,914	557,173
Reserved for Budget Stabilization	52,993				52,993
Reserved for Encumbrances	139,922		1,211,281	11,400	1,362,603
<b>Unreserved, Reported in:</b>					
General Fund	1,313,509				1,313,509
Special Revenue Funds				198,507	198,507
Debt Service Fund		338,622			338,622
Capital Projects Funds			22,956,396	1,189,761	24,146,157
Permanent Fund				96,181	96,181
<b>Total Fund Balances</b>	<u>1,921,033</u>	<u>451,272</u>	<u>24,167,677</u>	<u>1,525,763</u>	<u>28,065,745</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$10,380,166</u>	<u>\$1,846,317</u>	<u>\$24,214,662</u>	<u>\$2,374,849</u>	<u>\$38,815,994</u>

See accompanying notes to the basic financial statements.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

Total Governmental Fund Balances		\$28,065,745
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		6,748,600
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	\$12,470	
Accrued Interest Receivable	5,860	
Intergovernmental Receivable	171,211	
Income Taxes Receivable	115,407	
Property Taxes Receivable	104,876	
		409,824
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		328,588
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds.		(123,968)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(88,689)	
General Obligation Bonds Payable	(26,132,792)	
Compensated Absences Payable	(1,916,753)	
		(28,138,234)
Net Assets of Governmental Activities		<u>\$7,290,555</u>

*See accompanying notes to the basic financial statements.*

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Bond Retirement</u>	<u>Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property Taxes	\$6,153,482	\$1,445,683		\$413,042	\$8,012,207
Income Taxes	543,661				543,661
Intergovernmental	8,453,188	180,996		1,326,762	9,960,946
Interest	101,445		302,762	3,873	408,080
Tuition and Fees	502,858				502,858
Extracurricular Activities				126,182	126,182
Charges for Services	9,550			334,922	344,472
Gifts and Donations	20,009			116,522	136,531
Miscellaneous	45,294		40,292	81,220	166,806
<b>Total Revenues</b>	<u>15,829,487</u>	<u>1,626,679</u>	<u>343,054</u>	<u>2,402,523</u>	<u>20,201,743</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	8,882,156			152,674	9,034,830
Special	1,863,075			468,089	2,331,164
Vocational	139,632				139,632
Support Services:					
Pupils	607,037			20,584	627,621
Instructional Staff	670,255			349,012	1,019,267
Board of Education	53,559				53,559
Administration	1,400,123			24,000	1,424,123
Fiscal	427,071	42,172	31,835	13,451	514,529
Operation and Maintenance of Plant	1,246,716			18,803	1,265,519
Pupil Transportation	354,226				354,226
Central	104,930			97,961	202,891
Non-Instructional Services				714,941	714,941
Extracurricular Activities	260,049			224,978	485,027
Capital Outlay			1,258,539	205,894	1,464,433
Debt Service:					
Principal Retirement		340,000			340,000
Interest and Fiscal Charges		1,106,062			1,106,062
<b>Total Expenditures</b>	<u>16,008,829</u>	<u>1,488,234</u>	<u>1,290,374</u>	<u>2,290,387</u>	<u>21,077,824</u>
Changes in Fund Balances	(179,342)	138,445	(947,320)	112,136	(876,081)
Fund Balances at Beginning of Year	<u>2,100,375</u>	<u>312,827</u>	<u>25,114,997</u>	<u>1,413,627</u>	<u>28,941,826</u>
Fund Balances at End of Year	<u>\$1,921,033</u>	<u>\$451,272</u>	<u>\$24,167,677</u>	<u>\$1,525,763</u>	<u>\$28,065,745</u>

See accompanying notes to the basic financial statements.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Changes in Fund Balances - Total Governmental Funds (\$876,081)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year:

Capital Outlay - Non Depreciable Capital Assets	\$1,420,396	
Capital Outlay - Depreciable Capital Assets	166,500	
Depreciation	<u>(307,486)</u>	
		1,279,410

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	27,298	
Income Taxes	114,581	
Intergovernmental	97,145	
Interest	(12,348)	
Tuition and Fees	2,661	
Miscellaneous	<u>746</u>	
		230,083

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

340,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. Premiums and issuance costs are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

Accrued Interest Payable	821	
Annual Accretion	(260,954)	
Amortization of Premium	20,133	
Amortization of Issuance Costs	<u>(6,592)</u>	
		(246,592)

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(22)	
Compensated Absences Payable	<u>(132,055)</u>	
		<u>(132,077)</u>

Change in Net Assets of Governmental Activities

\$594,743

*See accompanying notes to the basic financial statements.*

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property Taxes	\$6,087,465	\$6,244,880	\$6,244,880	
Income Taxes		151,756	151,756	
Intergovernmental	8,485,053	8,431,867	8,431,867	
Interest	65,000	157,944	157,944	
Tuition and Fees	110,300	502,587	502,587	
Charges for Services	6,800	6,800	6,800	
Gifts and Donations	20,000	20,009	20,009	
Miscellaneous	21,270	39,541	39,541	
<b>Total Revenues</b>	<u>14,795,888</u>	<u>15,555,384</u>	<u>15,555,384</u>	
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	8,948,636	9,020,299	8,849,064	171,235
Special	1,594,154	1,902,975	1,922,642	(19,667)
Vocational	144,162	137,129	164,746	(27,617)
Other	34,325	37,825	39,135	(1,310)
Support Services:				
Pupils	597,316	613,196	601,026	12,170
Instructional Staff	649,749	691,608	665,127	26,481
Board of Education	44,440	74,770	62,717	12,053
Administration	1,413,301	1,363,634	1,380,051	(16,417)
Fiscal	416,522	436,368	428,603	7,765
Operation and Maintenance of Plant	1,233,399	1,264,047	1,263,863	184
Pupil Transportation	382,855	360,937	358,626	2,311
Central	98,446	100,888	104,966	(4,078)
Extracurricular Activities	258,070	294,181	279,228	14,953
<b>Total Expenditures</b>	<u>15,815,375</u>	<u>16,297,857</u>	<u>16,119,794</u>	<u>178,063</u>
Excess of Revenues				
Under Expenditures	<u>(1,019,487)</u>	<u>(742,473)</u>	<u>(564,410)</u>	<u>178,063</u>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures		1,651	1,651	
Refund of Prior Year Receipts	(225)	(225)	(225)	
Advances In	110,000	110,000	110,000	
Advances Out		(103,199)	(103,199)	
<b>Total Other Financing Sources (Uses)</b>	<u>109,775</u>	<u>8,227</u>	<u>8,227</u>	
Changes in Fund Balance	(909,712)	(734,246)	(556,183)	178,063
Fund Balance at Beginning of Year	3,410,018	3,410,018	3,410,018	
Prior Year Encumbrances Appropriated	28,336	28,336	28,336	
<b>Fund Balance at End of Year</b>	<u>\$2,528,642</u>	<u>\$2,704,108</u>	<u>\$2,882,171</u>	<u>\$178,063</u>

See accompanying notes to the basic financial statements.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004**

	Private Purpose Trust	Investment Trust	Agency
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$60,778		\$78,779
Cash and Cash Equivalents in Segregated Accounts		694,579	
Accrued Interest Receivable	134		
Total Assets	60,912	694,579	78,779
<b>Liabilities:</b>			
Due to Students			\$78,779
<b>Net Assets:</b>			
Held in Trust for Students	46,377		
Held in Trust for Individual Investment Account Endowments	14,535	694,579	
Total Net Assets	\$60,912	\$694,579	

*See accompanying notes to the basic financial statements.*

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

	<b>Private Purpose Trust</b>	<b>Investment Trust</b>
<b>Additions:</b>		
Interest	\$1,251	\$2,876
Gifts and Donations	10,795	
	12,046	2,876
<b>Total Additions</b>	<b>12,046</b>	<b>2,876</b>
<b>Deductions:</b>		
Capital Transactions		(28,082)
Non-Instructional Services	17,636	
	17,636	(28,082)
<b>Total Deductions</b>	<b>17,636</b>	<b>(28,082)</b>
Changes in Net Assets	(5,590)	30,958
Net Assets at Beginning of Year	66,502	663,621
Net Assets at End of Year	\$60,912	\$694,579

*See accompanying notes to the basic financial statements.*



**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Van Wert City School District (the "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 and federal guidelines.

The School District was established in 1970 through the consolidation of existing land areas and school districts. The School District serves an area of approximately seventy square miles. It is located in Van Wert County, and includes the Village of Ohio City and Liberty Township. The School District is the 235th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by eighty-five classified employees, one hundred and sixty-five certified teaching personnel, and eleven administrative employees who provide services to 2,303 students and other community members. The School District currently operates seven instructional buildings, an administration building, a maintenance building, and a bus garage.

**A. Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the 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. There are no component units of the Van Wert City School District.

The School District's reporting entity includes the following:

**Non-Public School** - Within the School District's boundaries, St. Mary of the Assumption is operated as private school. Current State legislation provides funding to the parochial school. The monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity is reflected in a special revenue fund of the School District.

The School District participates in five jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Vantage Joint Vocational School, the West Central Regional Professional Development Center, the Northwest Ohio Special Education Regional Resource Center, the Northwestern Ohio Educational Research Council, Inc., the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Van Wert Area Schools Insurance Group. These organizations are presented in Notes 20 and 21 to the basic financial statements.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the 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 governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements**

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

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**2. Fund Financial Statements**

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Governmental Funds**

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

The School District's three major funds are the General Fund, the Bond Retirement debt service fund, and the Construction capital projects fund.

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

**Bond Retirement Fund** - The Bond Retirement debt service fund is used to account for the accumulation of resources for and the payment of principal and interest on general obligation bonds issued for the construction of a new high school/middle school.

**Construction Fund** - The Construction capital projects fund is used to account for bond proceeds which will be used for the construction of a new high school/middle school.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**2. Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The investment trust fund accounts for the Van Wert Area School Insurance Group, an individual investment account. The private purpose trust funds account for college scholarships for students after graduation and to provide aid to needy school children. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various student-managed and staff-managed activities.

**C. Measurement Focus**

**1. Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Fund Financial Statements**

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

The private purpose trust fund and investment trust fund are accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**1. Revenues - Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On 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, income 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 income taxes is recognized in the fiscal year in which the income is earned. 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, income taxes, grants, interest, tuition, student fees, and charges for services.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Deferred Revenues**

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**3. Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

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 governmental funds.

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund/object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function level in the General Fund and the function and object level within all other funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Cash and Investments**

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 School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately for the School District by escrow agents for payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agent".

During fiscal year 2004, investments included nonnegotiable certificates of deposit, federal agency securities, mutual funds, and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. Federal agency securities and mutual funds are reported at fair value, which is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 was \$101,445, which includes \$43,909 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

Restricted assets represent amounts required by State statute to be set aside for budget stabilization. Resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors are also reported as restricted.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Unamortized Issuance Costs**

On government-wide financial statements issuance costs are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges.

On the governmental fund financial statements, issuance costs are recognized as an expenditure in the fiscal year incurred.

**K. Capital Assets**

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand five hundred dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	20 - 60 years
Buildings and Building Improvements	30 - 85 years
Furniture, Fixtures, and Equipment	5 - 50 years
Vehicles	10 - 20 years

**L. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

**M. 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 the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

**N. Accrued Liabilities and Long-Term Obligations**

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

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

**O. Unamortized Premium**

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

On the governmental fund financial statements, bond premiums are recognized as an other financing source in the fiscal year received.

**P. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.



**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Q. Fund Balance Reserves**

The School District reserves those portions of fund balance which are legally segregated for a 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 which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, budget stabilization, and encumbrances.

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.

**R. Interfund Transactions**

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

**T. Estimates**

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

**3. CHANGE IN ACCOUNTING PRINCIPLE AND CORRECTION OF AN ERROR**

**A. Change in Accounting Principle**

For fiscal year 2004, the School District has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". GASB Statement No. 39 establishes additional guidance on the application of existing standards for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the primary government. The implementation of this statement did not result in any change to the School District's financial statements.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**3. CHANGE IN ACCOUNTING PRINCIPLE AND CORRECTION OF AN ERROR (Continued)**

**B. Correction of an Error**

For the prior fiscal year, the School District did not record all construction in progress. As a result construction in progress and net capital assets increased \$403,845.

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2004, the SchoolNet Professional Development, Student Intervention, Title VI-B, Title I, Drug Free, Early Childhood Preschool, and Title II-A special revenue funds had deficit fund balances, in the amount of \$25, \$18,397, \$102,661, \$38,087, \$4,243, \$11,578, and \$23,629, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

The Lunchroom, Other State Grants, and Federal Grants special revenue funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2004, in the amount of \$35,544, \$3,471, and \$66,186, respectively.

The Treasurer is monitoring all budgetary controls to avoid future violations of budgetary compliance.

**5. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

<b>Changes in Fund Balance</b>	
GAAP Basis	(\$179,342)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2003, Received in Cash FY 2004	519,694
Accrued FY 2004, Not Yet Received in Cash	(850,762)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(2,191,079)
Accrued FY 2004, Not Yet Paid in Cash	2,238,190
Cash Adjustments:	
Unrecorded Activity FY 2003	58,616
Prepaid Items	3,652
Advances In	110,000
Advances Out	(103,199)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(161,953)
Budget Basis	(\$556,183)

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

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

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**6. DEPOSITS AND INVESTMENTS (Continued)**

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rated 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 the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$48,837 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**6. DEPOSITS AND INVESTMENTS (Continued)**

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

At fiscal year end, the carrying amount of the School District's deposits was \$5,436,097 and the bank balance was \$5,879,192. Of the bank balance, \$325,764 was covered by federal depository insurance and \$5,553,428 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

	<b>Category 2</b>	<b>Fair Value</b>
Federal National Mortgage Association Bonds	\$4,000,000	\$4,000,000
Federal Home Loan Mortgage Corporation Bonds	1,653,859	1,653,859
	\$5,653,859	5,653,859
Mutual Funds		18,486,847
STAR Ohio		486,359
Total		\$24,627,065

The classification of cash and cash equivalents and investments on the 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 classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$5,971,293	\$24,140,706
Cash on Hand	(48,837)	0
Investments:		
STAR Ohio	(486,359)	486,359
GASB Statement No. 3	\$5,436,097	\$24,627,065

**7. RECEIVABLES**

Receivables at June 30, 2004, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, interfund, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**7. RECEIVABLES (Continued)**

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
Governmental Activities	
General Fund	
State of Ohio	\$34,459
Ohio Department of Education	2,750
Total General Fund	37,209
Other Governmental Funds	
Lunchroom	24,786
Student Intervention	22,926
Title VI-B	76,394
Title I	35,198
Drug Free	4,243
Early Childhood Preschool	8,584
Title II-A	23,251
Title II-D	615
Total Other Governmental Funds	195,997
Total Intergovernmental Receivables	\$233,206

**8. INCOME TAXES**

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2004, and is for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**9. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**9. PROPERTY TAXES (Continued)**

Public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien on December 31, 2002, were levied after April 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2004, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$414,609 in the General Fund, \$112,650 in the Bond Retirement debt service fund, and \$29,914 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2003, was \$506,007 in the General Fund, \$134,124 in the Bond Retirement debt service fund, and \$36,280 in the Permanent Improvement capital projects fund.

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

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

	<b>2003 Second- Half Collections</b>		<b>2004 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$138,951,700	61.69%	\$139,514,810	62.25%
Industrial/Commercial	40,326,220	17.91	39,866,470	17.79
Public Utility	7,587,700	3.37	7,530,770	3.36
Tangible Personal	38,359,435	17.03	37,203,164	16.60
Total Assessed Value	<u>\$225,225,055</u>	<u>100.00%</u>	<u>\$224,115,214</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$54.40		\$54.40	

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**10. CAPITAL ASSETS**

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

	<u>Restated Balance at 6/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/04</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$536,299			\$536,299
Construction in Progress	431,294	1,420,396		1,851,690
Total Nondepreciable Capital Assets	<u>967,593</u>	<u>1,420,396</u>		<u>2,387,989</u>
Depreciable Capital Assets				
Land Improvements	447,282			447,282
Buildings and Building Improvements	7,861,792			7,861,792
Furniture, Fixtures, and Equipment	1,693,187	105,777		1,798,964
Vehicles	850,812	60,723		911,535
Total Depreciable Capital Assets	<u>10,853,073</u>	<u>166,500</u>		<u>11,019,573</u>
Less Accumulated Depreciation				
Land Improvements	(259,803)	(11,492)		(271,295)
Buildings and Building Improvements	(4,723,743)	(152,859)		(4,876,602)
Furniture, Fixtures, and Equipment	(872,096)	(98,589)		(970,685)
Vehicles	(495,834)	(44,546)		(540,380)
Total Accumulated Depreciation	<u>(6,351,476)</u>	<u>(307,486)</u>		<u>(6,658,962)</u>
Depreciable Capital Assets, Net	<u>4,501,597</u>	<u>(140,986)</u>		<u>4,360,611</u>
Governmental Activities Capital Assets, Net	<u>\$5,469,190</u>	<u>\$1,279,410</u>		<u>\$6,748,600</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$143,804
Special	18,706
Vocational	3,057
Support Services:	
Pupils	228
Instructional Staff	7,296
Administration	17,039
Fiscal	752
Operation and Maintenance of Plant	27,438
Pupil Transportation	39,223
Central	23,834
Non-Instructional Services	15,803
Extracurricular Activities	10,306
Total Depreciation Expense	<u>\$307,486</u>



**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**11. INTERFUND ASSETS/LIABILITIES**

At June 30, 2004, the General Fund had an interfund receivable and other governmental funds had an interfund payable, in the amount of \$103,199, resulting from the provision of cash flow resources until the receipt of grant monies by the other governmental funds.

**12. CONTRACTUAL COMMITMENTS**

At June 30, 2004, the School District had the following contractual commitments:

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid to Date</u>	<u>Remaining Balance</u>
Buehrer Group	Architectural Services	\$1,713,000	\$722,125	\$990,875
Peck, Shaffer & Williams	Construction Counsel	35,000	6,191	28,809
Trucco Construction	New HS/MS Facility	1,014,543	854,513	160,030

**13. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted for the following insurance coverage.

Coverage provided by Selective Insurance Company of South Carolina is as follows:

General Liability Per Occurrence	\$ 2,000,000
Total per Year	4,000,000
Building and Contents	37,082,211
Vehicle Liability	2,000,000
Uninsured/Underinsured Motorists	1,000,000
Umbrella Liability Per Occurrence	2,000,000
Total per Year	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**13. RISK MANAGEMENT (Continued)**

The School District participates in the Van Wert Area Schools Insurance Group (VWASIG). VWASIG is a public entity shared risk pool consisting of five members. The School District pays monthly premiums to VWASIG for employee medical, dental, and life insurance benefits. VWASIG is responsible for the management and operation of the program. Upon withdrawal from VWASIG, a member is responsible for the payment of all VWASIG liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**14. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The 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 retirement and disability benefits to members and death and survivor benefits to 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 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.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**14. DEFINED BENEFIT PENSION PLANS (Continued)**

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2004, 2003, and 2002 was \$1,089,641, \$1,084,035, and \$771,354, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002. Contributions for the DCP and CP for the fiscal year ended June 30, 2004, were \$5,492 made by the School District and \$10,187 made by plan members.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 9.09 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 was \$161,202, \$141,939, and \$90,416, respectively; 42 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002.

**C. Social Security System**

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

**15. 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 classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**15. POSTEMPLOYMENT BENEFITS (Continued)**

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$84,241.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 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 2004, the minimum pay was established at \$25,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$114,260 for fiscal year 2004.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**16. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Up to five days of unused vacation may be carried forward to the succeeding fiscal year for classified employees. The superintendent, treasurer, and high school principal earn twenty days of vacation per fiscal year, and may accumulate up to sixty days. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred ninety-five days for all employees. Upon retirement, payment is made for 25.7 percent of accrued, but unused sick leave credit up to a maximum of 50.12 days. Employees who have accumulated one hundred ninety-five days of sick leave may accumulate an additional twenty-five days to be paid upon retirement. This will result in an overall maximum payment of 75.12 days.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**16. OTHER EMPLOYEE BENEFITS (Continued)**

**B. Health Care Benefits**

The School District provides medical, dental, and life insurance to most employees through the Van Wert Area Schools Insurance Group.

**17. LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	<u>Balance at 6/30/03</u>	<u>Additions</u>	<u>Reduction</u>	<u>Balance at 6/30/04</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
FY03 School Improvement Bonds					
Serial Bonds 2.0-5.0%	\$12,315,000		\$340,000	\$11,975,000	\$485,000
Term Bonds 5.0%	11,465,000			11,465,000	
Capital Appreciation Bonds 2-5%	1,219,960			1,219,960	
Accretion of Capital					
Appreciation Bonds	208,368	260,954		469,322	
Capital Appreciation					
Bonds Premium	1,023,643		20,133	1,003,510	
Total General Obligation Bonds	<u>26,231,971</u>	<u>260,954</u>	<u>360,133</u>	<u>26,132,792</u>	<u>485,000</u>
Compensated Absences Payable	<u>1,784,698</u>	<u>230,911</u>	<u>98,856</u>	<u>1,916,753</u>	<u>37,052</u>
Total Governmental Activities					
Long -Term Obligations	<u>\$28,016,669</u>	<u>\$491,865</u>	<u>\$458,989</u>	<u>\$28,049,545</u>	<u>\$522,052</u>

**General Obligation School Improvement Bonds** - On July 24, 2002, the School District issued voted general obligation bonds, in the amount of \$24,999,960, for the construction of a new high school. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$12,315,000, \$11,465,000, and \$1,219,960, respectively. The bonds were issued for a twenty-eight year period, with final maturity in fiscal year 2031. The bonds are being retired from the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2027, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 in the years and respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2023	\$1,200,000
2024	1,260,000
2025	1,325,000
2026	1,390,000

Unless previously redeemed, the remaining principal, in the amount of \$1,460,000, will mature at stated maturity on December 1, 2027.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**17. LONG-TERM OBLIGATIONS (Continued)**

The term bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 in the years and respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2028	\$1,530,000
2029	1,610,000

Unless previously redeemed, the remaining principal, in the amount of \$1,690,000, will mature at stated maturity on December 1, 2030.

The serial bonds maturing after December 1, 2012, are subject to optional redemption, in whole or in part on any interest payment date, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2012, at a redemption price of 100 percent of the principal amount plus accrued interest to the redemption date.

The capital appreciation bonds will mature in fiscal year 2010 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$2,975,000. For fiscal year 2004, \$260,954 was accreted for a total outstanding balance at June 30, 2004, of \$1,689,282.

As of June 30, 2004, only \$1,851,690 of the School Improvement Bonds had been applied towards construction and is reflected as construction in progress at fiscal year end.

Compensated absences will be paid from the General Fund and the Food Service, Auxiliary Services, Title VI-B, and Title I special revenue funds.

The School District's overall debt margin was (\$4,038,319) with an unvoted debt margin of \$224,115 at June 30, 2004. The School District has been authorized by the Ohio Superintendent of Public Instruction to exceed its voted limitation because it has been designated as a "special needs" school district.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Obligation Bonds</u>				<u>Total</u>
	<u>Serial</u>	<u>Term</u>	<u>Capital Appreciation</u>	<u>Interest</u>	
2005	\$485,000			\$1,404,855	\$1,889,855
2006			310,443	1,400,076	1,710,519
2007			262,472	1,356,909	1,619,381
2008			221,913	1,305,850	1,527,763
2009			227,211	1,233,569	1,460,780
2010-2014	2,890,000		197,921	5,284,373	8,372,294
2015-2019	4,340,000			4,428,020	8,768,020
2020-2024	4,260,000			3,274,012	7,534,012
2025-2029		6,635,000		1,729,375	8,364,375
2030-2031		4,830,000		167,000	4,997,000
Total	<u>\$11,975,000</u>	<u>\$11,465,000</u>	<u>\$1,219,960</u>	<u>\$21,584,039</u>	<u>\$46,243,999</u>

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**18. SET ASIDES**

The School 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 the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2004, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2004.

	<b>Textbooks</b>	<b>Capital Improvements</b>	<b>Budget Stabilization</b>
Balance June 30, 2003	(\$193,569)	(\$24,861,671)	\$52,993
Current Year Set Aside Requirement	304,389	304,389	
Qualifying Expenditures	(370,041)		
Current Year Offsets		(304,389)	
Balance Carried Forward to Fiscal Year 2004	(\$259,221)	(\$24,861,671)	\$52,993
Set Aside Reserve Balance June 30, 2004	<u>\$0</u>	<u>\$0</u>	<u>\$52,993</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amounts below zero. The School District had qualifying bond proceeds from fiscal year 2002 that reduced the capital improvements set aside amount below zero. These amounts may be used to reduce the set aside requirement in future fiscal years.

**19. ENDOWMENTS**

The School District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$14,535, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$46,377 and is included as held in trust for students. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year and to aid needy children.

**20. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2004, the School District paid \$21,554 to NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**20. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**B. Vantage Joint Vocational School**

The Vantage Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Vantage Joint Vocational School, 818 North Franklin Street, Van Wert, Ohio 45891.

**C. West Central Regional Professional Development Center**

The West Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Sandy Knudson, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**D. Northwest Ohio Special Education Regional Resource Center**

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to provide services to families, educators, and agencies regarding educational law and curriculum and instruction for students with disabilities. The SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating School Districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of MR/DD, one representative from a chartered non-public school, one representative from the University of Toledo, one representative from Bowling Green State University, one representative from a community school, and any other representatives from other agencies as designated by the Governing Board or the Ohio Department of Education. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Dave Michel, Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.



**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**20. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**E. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**21. INSURANCE POOLS**

**A. Ohio School Boards Association Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**B. Van Wert Area Schools Insurance Group**

The Van Wert Area Schools Insurance Group (VWASIG) is a public entity shared risk pool consisting of five members. VWASIG is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each member appoints a representative to the Board of Trustees. The Board of Trustees is the legislative and managerial body of VWASIG. Financial information can be obtained from the Van Wert City School District, who serves as fiscal agent, 205 West Crawford Street, Van Wert, Ohio 45891.

**22. STATE SCHOOL FUNDING DECISION**

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

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

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

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

**23. CONTINGENCIES**

**A. 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, 2004.

**B. Litigation**

The School District is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The School District Board of Education is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
School Breakfast Program	044966 05-PU	10.553	\$14,627		\$14,627	
National School Lunch Program	044966 03 & 04 -PU	10.555	167,850		167,850	
Food Distribution	N/A	10.550		95,475		95,475
Total U.S. Department of Agriculture - Nutrition Cluster			182,477	95,475	182,477	95,475
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)						
Medical Assistance Program	8100156	93.778	42,478		42,478	
<b>U.S. DEPARTMENT OF EDUCATION</b>						
(Passed through Ohio Department of Education)						
Special Education Cluster:						
Special Education_Grants to States	044966-6B-SF2004	84.027	259,814		319,517	
Special Education_Grants to States	044966-6B-SF2003P	84.027	42,248		36,485	
Total			302,062		356,002	
Child Progress Grant	004966PG-D7-2004P	84.173A			5,320	
Special Education_Preschool Grants	044966PG-S1 2004	84.173	12,455		13,839	
Total			12,455		19,159	
Total Special Education Cluster			314,517		375,161	
Title I Grants to Local Educational Agencies	044966 C1-S1 02	84.010	207,885		204,889	
Title I Grants to Local Educational Agencies	044966 C1-S1 03	84.010	31,960		18,450	
Total			239,845		223,339	
Title II Part A	044966-TRS1-2004	84.367	74,940		87,427	
Title II Part A	044966-TRS1-2003	84.367	29,924		10,106	
Total			104,864		97,533	
Technology Literacy Challenge Fund Grant	044966-TJS1-2004	84.318	6,317		5,613	
Technology Literacy Challenge Fund Grant	044966TJS1-2003	84.318	(431)			
Total			5,886		5,613	
Drug Free Schools	044966-DR-S1-2004	84.186	5,958		10,201	
Drug Free Schools	044966-DR-S1-2003	84.186	1,808			
Total			7,766		10,201	
Assistive Technology Infusion Grant	044966-ATS3-2002	84.352	(153)			
Total			(153)			
Innovative Education Program Strategies	044966 C2-S1 2004	84.298	12,874		12,888	
Innovative Education Program Strategies	044966 C2-S1 2003	84.298	5,118		4,428	
Total			17,992		17,316	
Total U.S. Department of Education			690,717		729,163	
<b>Total Federal Assistance</b>			<b>\$915,672</b>	<b>\$95,475</b>	<b>\$954,118</b>	<b>\$95,475</b>

See accompanying notes to the schedule of federal awards expenditures.

**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – NUTRITION CLUSTER**

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

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

**NOTE C – INNOVATIVE EDUCATION PROGRAM STRATEGIES GRANT**

The School District "transferred" \$133 from CFDA #84.186 to CFDA # 84.298, \$4,662 from CFDA #84.367 to CFDA # 84.298, and \$589 from CFDA #84.318 to CFDA #84.298.



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Van Wert City School District  
Van Wert County  
205 W. Crawford Street  
Van Wert, Ohio 45891

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Wert City School District (the School District) as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 21, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated April 21, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the School District's management dated April 21, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 21, 2005



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Van Wert City School District  
Van Wert County  
205 W. Crawford Street  
Van Wert, Ohio 45891

To the Board of Education:

#### Compliance

We have audited the compliance of Van Wert City School District (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

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

#### Internal Control Over Compliance

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

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 21, 2005



**VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under §.510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA #'s 10.550, 10.553, 10.555: Nutrition Cluster
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None

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

None





**Auditor of State  
Betty Montgomery**

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**VAN WERT CITY 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  
MAY 24, 2005**