



**Auditor of State
Betty Montgomery**

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Lincolnview Local School District, Van Wert County, (the School District), as of and for the years ended June 30, 2004 and 2003. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of School District, as of June 30, 2004 and 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements for the year ended June 30, 2003. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the audit committee, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

December 29, 2004

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

| | <u>Governmental Fund Types</u> | | | | <u>Fiduciary Funds</u> | <u>Totals (Memorandum Only)</u> |
|-----------------------------------------------------------------------------------------------|--------------------------------|----------------------------|-------------------------|-----------------------------|-----------------------------|-----------------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Expendable Trust</u> | |
| Revenues: | | | | | | |
| Taxes | \$2,048,197 | | \$381,303 | \$135,340 | | \$2,564,840 |
| Tuition | 849,581 | | | | | 849,581 |
| Intergovernmental | 3,887,904 | 301,570 | 44,976 | 41,591 | | 4,276,041 |
| Interest | 135,519 | | | | | 135,519 |
| Extracurricular Activities | | 84,724 | | | | 84,724 |
| Classroom Materials & Fees | 13,249 | 2,453 | | | | 15,702 |
| Miscellaneous | 156,453 | 47,754 | | | 1,180 | 205,387 |
| Total Revenues | 7,090,903 | 436,501 | 426,279 | 176,931 | 1,180 | 8,131,794 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 2,710,385 | 21,213 | | 36,254 | | 2,767,852 |
| Special | 941,213 | 192,074 | | | | 1,133,287 |
| Vocational | 148,120 | 308 | | | | 148,428 |
| Other | 396,435 | | | | | 396,435 |
| Support Services: | | | | | | |
| Pupils | 152,879 | 39,082 | | | | 191,961 |
| Instruction | 183,561 | 40,193 | | | | 223,754 |
| Board of Education | 34,245 | | | | | 34,245 |
| Administration | 625,885 | 49,295 | | | 1,159 | 676,339 |
| Fiscal | 179,998 | 3,309 | 9,909 | 3,529 | | 196,745 |
| Operation and Maintenance | 457,479 | | | | | 457,479 |
| Transportation | 303,498 | | | 34,830 | | 338,328 |
| Central Services | 5,743 | 6,000 | | | | 11,743 |
| Non-Instructional Services | | 51 | | | | 51 |
| Extracurricular Activities | 116,242 | 98,458 | | | | 214,700 |
| Capital Outlay | 13,624 | | | 151,161 | | 164,785 |
| Debt Service: | | | 406,228 | | | 406,228 |
| Total Expenditures | 6,269,307 | 449,983 | 416,137 | 225,774 | 1,159 | 7,362,360 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 821,596 | (13,482) | 10,142 | (48,843) | 21 | 769,434 |
| Other Financing Sources (Uses): | | | | | | |
| Refund of Prior Year Expenditures | 4,304 | | | | | 4,304 |
| Operating Transfers Out | (3,000) | | | | | (3,000) |
| Operating Advance In | 1,500 | | | | | 1,500 |
| Operating Advance Out | | (1,500) | | | | (1,500) |
| Total Other Financing Sources (Uses) | 2,804 | (1,500) | | | | 1,304 |
| Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 824,400 | (14,982) | 10,142 | (48,843) | 21 | 770,738 |
| Fund Balances at Beginning of Year | 3,598,324 | 99,201 | 153,062 | 264,237 | 1,152 | 4,115,976 |
| Fund Balances at End of Year | <u>\$4,422,724</u> | <u>\$84,219</u> | <u>\$163,204</u> | <u>\$215,394</u> | <u>\$1,173</u> | <u>\$4,886,714</u> |

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCES
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Funds</u> | | <u>Totals (Memorandum Only)</u> |
|-------------------------------------------|----------------------------------|---------------------------------------|------------------|-----------------------------------------|
| | <u>Enterprise</u> | <u>Non-Expendable Trust Funds</u> | <u>Agency</u> | |
| Operating Revenues: | | | | |
| Food Services | \$152,943 | | | \$152,943 |
| Tuition | 14,751 | | | 14,751 |
| Interest | | 14 | | 14 |
| Extracurricular Activities | | | 77,914 | 77,914 |
| Classroom Material & Fees | 25,428 | | | 25,428 |
| Total Operating Revenue | 193,122 | 14 | 77,914 | 271,050 |
| Operating Expenses: | | | | |
| Salaries | 99,393 | | | 99,393 |
| Retirement & Insurances | 27,898 | | | 27,898 |
| Purchased Services | 4,568 | | | 4,568 |
| Materials and Supplies | 120,820 | | | 120,820 |
| Other Objects | 216 | | 73,352 | 73,568 |
| Total Operating Expenses | 252,895 | | 73,352 | 326,247 |
| Operating Income (Loss) | (59,773) | 14 | 4,562 | (55,197) |
| Non-Operating Revenues: | | | | |
| Interest | 2 | | | 2 |
| Miscellaneous | 3,094 | | 525 | 3,619 |
| Federal and State Subsidies | 59,738 | | | 59,738 |
| Total Non-Operating Revenues | 62,834 | | 525 | 63,359 |
| Net Income (Loss) Before Transfers | 3,061 | 14 | 5,087 | 8,162 |
| Interfund transfers: | | | | |
| Operating Transfers In | 3,000 | | | 3,000 |
| Net Income (Loss) | 6,061 | 14 | 5,087 | 11,162 |
| Fund Balances at Beginning of Year | 94,389 | 1,431 | 30,898 | 126,718 |
| Fund Balances at End of Year | \$ 100,450 | \$ 1,445 | \$ 35,985 | \$ 137,880 |

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004**

| Fund Types/Fund | Budget | Actual | Variance Favorable/ (Unfavorable) |
|-------------------------|--------------------|--------------------|--------------------------------------------------|
| Governmental: | | | |
| General Fund | \$6,850,387 | \$7,095,207 | \$244,820 |
| Special Revenue Funds | 494,765 | 436,501 | (58,264) |
| Debt Service Funds | 416,722 | 426,279 | 9,557 |
| Capital Project Funds | 173,521 | 176,931 | 3,410 |
| Proprietary: | | | |
| Enterprise Funds | 260,859 | 258,956 | (1,903) |
| Fiduciary: | | | |
| Trust Funds | 1,113 | 1,194 | 81 |
| Total (Memorandum Only) | <u>\$8,197,367</u> | <u>\$8,395,068</u> | <u>\$197,701</u> |

The notes to the financial statements are an integral part of this statement.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2004**

| Fund Types/Fund | Prior Year Carryover <u>Appropriations</u> | 2004 <u>Appropriations</u> | <u>Total</u> |
|-------------------------|--------------------------------------------------|-------------------------------|--------------------|
| Governmental: | | | |
| General Fund | \$97,645 | \$6,954,150 | \$7,051,795 |
| Special Revenue Funds | 3,785 | 567,167 | 570,952 |
| Debt Service Funds | | 416,228 | 416,228 |
| Capital Project Funds | 78,958 | 287,925 | 366,883 |
| Proprietary: | | | |
| Enterprise Funds | 2,120 | 270,800 | 272,920 |
| Fiduciary Funds: | | | |
| Trust Funds | | <u>1,500</u> | <u>1,500</u> |
| Total (Memorandum Only) | <u>\$182,508</u> | <u>\$8,497,770</u> | <u>\$8,680,278</u> |

The notes to the financial statements are an integral part of this statement.

| <u>Actual 2004 Disbursements</u> | <u>Encumbrances Outstanding At 6/30/04</u> | <u>Total</u> | <u>Variance Favorable/ (Unfavorable)</u> |
|--------------------------------------|----------------------------------------------------|---------------------------|--------------------------------------------------|
| \$6,272,307 | \$151,606 | \$6,423,913 | \$627,882 |
| 449,983 | 23,472 | 473,455 | 97,497 |
| 416,137 | | 416,137 | 91 |
| 225,774 | 103,806 | 329,580 | 37,303 |
| 252,895 | 816 | 253,711 | 19,209 |
| <u>1,159</u> | | <u>1,159</u> | <u>341</u> |
| <u><u>\$7,618,255</u></u> | <u><u>\$279,700</u></u> | <u><u>\$7,897,955</u></u> | <u><u>\$782,323</u></u> |

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**LINCOLNVIEW LOCAL SCHOOL DISTRICT - VAN WERT COUNTY
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

| | <u>Governmental Fund Types</u> | | | | <u>Fiduciary Funds</u> | <u>Totals (Memorandum Only)</u> |
|-----------------------------------------------------------------------------------------------|--------------------------------|----------------------------|-------------------------|-----------------------------|-----------------------------|-----------------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Expendable Trust</u> | |
| Revenues: | | | | | | |
| Taxes | \$1,982,524 | | \$369,482 | \$130,998 | | \$2,483,004 |
| Tuition | 400,989 | | | | | 400,989 |
| Intergovernmental | 3,678,453 | 230,084 | 44,016 | 17,307 | | 3,969,860 |
| Interest | 60,484 | | | | | 60,484 |
| Extracurricular Activities | | 87,024 | | | | 87,024 |
| Classroom Materials & Fees | 15,291 | 2,575 | | | | 17,866 |
| Miscellaneous | 32,726 | 60,821 | | | 1,112 | 94,659 |
| Total Revenues | 6,170,467 | 380,504 | 413,498 | 148,305 | 1,112 | 7,113,886 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Regular | 2,690,535 | 12,089 | | 27,533 | | 2,730,157 |
| Special | 869,364 | 164,259 | | | | 1,033,623 |
| Vocational | 145,275 | | | | | 145,275 |
| Other | 15,268 | | | | | 15,268 |
| Support Services: | | | | | | |
| Pupils | 142,190 | 28,186 | | | | 170,376 |
| Instruction | 177,887 | 36,842 | | | | 214,729 |
| Board of Education | 21,875 | | | | | 21,875 |
| Administration | 604,617 | 50,378 | | | 1,423 | 656,418 |
| Fiscal | 181,810 | 2,309 | 9,488 | 3,380 | | 196,987 |
| Operation and Maintenance | 449,208 | | | | | 449,208 |
| Transportation | 288,795 | | | 35,192 | | 323,987 |
| Central Services | 6,901 | 7,000 | | | | 13,901 |
| Non-Instructional Services | | 50 | | | | 50 |
| Extracurricular Activities | 108,357 | 116,652 | | | | 225,009 |
| Capital Outlay | 3,876 | | | 66,196 | | 70,072 |
| Debt Service: | | | 406,235 | | | 406,235 |
| Total Expenditures | 5,705,958 | 417,765 | 415,723 | 132,301 | 1,423 | 6,673,170 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 464,509 | (37,261) | (2,225) | 16,004 | (311) | 440,716 |
| Other Financing Sources (Uses): | | | | | | |
| Sale and Loss of Assets | 3,654 | | | | | 3,654 |
| Refund of Prior Year Expenditures | 11,390 | | | | | 11,390 |
| Refund of Prior Year Receipts | (414) | | | | | (414) |
| Other Miscellaneous Use of Funds | | (5,591) | | | | (5,591) |
| Operating Advances In | | 1,500 | | | | 1,500 |
| Operating Advances Out | (1,500) | | | | | (1,500) |
| Total Other Financing Sources (Uses) | 13,130 | (4,091) | | | | 9,039 |
| Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 477,639 | (41,352) | (2,225) | 16,004 | (311) | 449,755 |
| Fund Balances at Beginning of Year, Restated | 3,120,685 | 140,553 | 155,287 | 248,233 | 1,463 | 3,666,221 |
| Fund Balances at End of Year | <u>\$3,598,324</u> | <u>\$99,201</u> | <u>\$153,062</u> | <u>\$264,237</u> | <u>\$1,152</u> | <u>\$4,115,976</u> |

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCES
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Funds</u> | | <u>Totals (Memorandum Only)</u> |
|-----------------------------------------------------|----------------------------------|---------------------------------------|------------------|-----------------------------------------|
| | <u>Enterprise</u> | <u>Non-Expendable Trust Funds</u> | <u>Agency</u> | |
| Operating Revenues: | | | | |
| Food Services | \$151,240 | | | \$151,240 |
| Tuition | 19,357 | | | 19,357 |
| Interest | | 20 | | 20 |
| Extracurricular Activities | | | 53,544 | 53,544 |
| Classroom Material & Fees | 23,748 | | | 23,748 |
| Total Operating Revenue | <u>194,345</u> | <u>20</u> | <u>53,544</u> | <u>247,909</u> |
| Operating Expenses: | | | | |
| Salaries | 97,654 | | | 97,654 |
| Retirement & Insurances | 26,164 | | | 26,164 |
| Purchased Services | 4,774 | | | 4,774 |
| Materials and Supplies | 113,343 | | | 113,343 |
| Other Objects | 2,338 | | 56,904 | 59,242 |
| Total Operating Expenses | <u>244,273</u> | | <u>56,904</u> | <u>301,177</u> |
| Operating Income (Loss) | <u>(49,928)</u> | <u>20</u> | <u>(3,360)</u> | <u>(53,268)</u> |
| Non-Operating Revenues: | | | | |
| Interest | 2 | | | 2 |
| Miscellaneous | 6,960 | | | 6,960 |
| Federal and State Subsidies | 56,906 | | | 56,906 |
| Total Non-Operating Revenues | <u>63,868</u> | | | <u>63,868</u> |
| Net Income (Loss) | 13,940 | 20 | (3,360) | 10,600 |
| Fund Balances at Beginning of Year, Restated | <u>80,449</u> | <u>1,411</u> | <u>34,258</u> | <u>116,118</u> |
| Fund Balances at End of Year | <u>\$ 94,389</u> | <u>\$ 1,431</u> | <u>\$ 30,898</u> | <u>\$ 126,718</u> |

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003**

| Fund Types/Fund | Budget | Actual | Variance Favorable/ (Unfavorable) |
|-------------------------|--------------------|--------------------|--------------------------------------------------|
| Governmental: | | | |
| General Fund | \$6,205,088 | \$6,185,511 | (\$19,577) |
| Special Revenue Funds | 438,579 | 380,504 | (\$58,075) |
| Debt Service Funds | 414,500 | 413,498 | (\$1,002) |
| Capital Project Funds | 149,098 | 148,305 | (\$793) |
| Proprietary: | | | |
| Enterprise Funds | 245,434 | 258,213 | \$12,779 |
| Fiduciary: | | | |
| Trust Funds | 1,358 | 1,132 | (\$226) |
| Total (Memorandum Only) | <u>\$7,454,057</u> | <u>\$7,387,163</u> | <u>(\$66,894)</u> |

The notes to the financial statements are an integral part of this statement.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2003**

| Fund Types/Fund | Prior Year Carryover <u>Appropriations</u> | 2003 <u>Appropriations</u> | <u>Total</u> |
|-------------------------|--------------------------------------------------|-------------------------------|--------------------|
| Governmental: | | | |
| General Fund | \$68,905 | \$5,852,600 | \$5,921,505 |
| Special Revenue Funds | 12,897 | 486,326 | 499,223 |
| Debt Service Funds | | 417,500 | 417,500 |
| Capital Project Funds | 74,109 | 176,040 | 250,149 |
| Proprietary: | | | |
| Enterprise Funds | 2,999 | 259,250 | 262,249 |
| Fiduciary Funds | | | |
| Trust Funds | <u>15</u> | <u>2,015</u> | <u>2,030</u> |
| Total (Memorandum Only) | <u>\$158,925</u> | <u>\$7,193,731</u> | <u>\$7,352,656</u> |

The notes to the financial statements are an integral part of this statement.

| <u>Actual 2003 Disbursements</u> | <u>Encumbrances Outstanding At 6/30/03</u> | <u>Total</u> | <u>Variance Favorable/ (Unfavorable)</u> |
|--------------------------------------|----------------------------------------------------|--------------------|--------------------------------------------------|
| \$5,706,372 | \$97,645 | \$5,804,017 | \$117,488 |
| 423,356 | 3,785 | 427,141 | 72,082 |
| 415,723 | | 415,723 | 1,777 |
| 132,301 | 78,958 | 211,259 | 38,890 |
| 244,273 | 2,120 | 246,393 | 15,856 |
| 1,423 | | 1,423 | 607 |
| <u>\$6,923,448</u> | <u>\$182,508</u> | <u>\$7,105,956</u> | <u>\$246,700</u> |

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LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Lincolnview Local 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 statute and/or federal guidelines.

The School District is located in rural farm land within Van Wert County, consisting of residences. The School District is the 512th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 37 non-certificated employees and 74 certificated full-time teaching personnel who provide services to 933 students and other community members.

Reporting Entity

The reporting entity is comprised of the primary government and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For 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. The School District does not have any component units.

The School District is associated with three organizations which are defined as jointly governed organizations, and two public entity risk pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Western Buckeye Educational Service Center Local Professional Development Committee, Vantage Career Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Van Wert Area School Insurance Group (VWASIG). These organizations are presented in Notes 11 and 12 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the School District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted for school districts by the Auditor of State.

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types

General Fund

The General Fund is the operating fund of the School District and is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

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

Proprietary Fund Type

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

Enterprise Funds

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable and nonexpendable trust funds and agency funds.

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

1. Tax Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported 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.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

D. Cash and Investments

To improve cash management, all cash received by the School District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District accounting records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon School District policy.

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

F. Property, Plant and Equipment

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

G. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

For fiscal year 2004 and 2003, the District changed its method of accounting for financial reporting from accounting principles generally accepted in the United States of America to a basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. This changed had the following effect on fund balances as previously reported:

| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust | Enterprise | Non- Expendable Trust | Agency |
|-----------------------------------------------------------------------|--------------------|----------------------------|-------------------------|-----------------------------|-----------------------------|-------------------|--------------------------------------|-----------------|
| Fund Balance June 30, 2002 | \$2,790,454 | \$149,263 | \$185,159 | \$255,618 | \$1,449 | \$182,509 | \$1,411 | \$0 |
| Accrual adjustments / Restated Fund Balance, July 1, 2002 | <u>330,231</u> | <u>(8,710)</u> | <u>(29,872)</u> | <u>(7,385)</u> | <u>14</u> | <u>(102,060)</u> | <u>0</u> | <u>34,258</u> |
| | <u>\$3,120,685</u> | <u>\$140,553</u> | <u>\$155,287</u> | <u>\$248,233</u> | <u>\$1,463</u> | <u>\$80,449</u> | <u>\$1,411</u> | <u>\$34,258</u> |

4. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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.

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

4. DEPOSITS AND INVESTMENTS (Continued)

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.

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 2 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 from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of 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.

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

4. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2004, the School District had \$540, in undeposited cash on hand which is included in the fund balance. As of June 30, 2003, the School District had \$520, in undeposited cash on hand which is included in the fund balance.

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 June 30, 2004, the carrying amount of the School District's deposits was \$3,865,275 and the bank balance was \$3,871,050. Of the bank balance, \$300,000 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. At June 30, 2003, the carrying amount of the School District's deposits was \$3,727,567 and the bank balance was \$3,786,798. Of the bank balance, \$300,000 was covered by federal depository insurance. The remaining amounts were 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.

Investments: 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.

Funds invested by the District are held in the State Treasurer's Investment Pool (Star Ohio), with a carrying value and market value of \$1,133,933 at June 30, 2004 and carrying value and market value of \$429,485 at June 30, 2003. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form. At June 30, 2004 and June 30, 2003, the School District had repurchase agreements which are classified as category 3 and had carrying/fair values of \$24,846 and \$85,122 respectively,

5. 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.

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

5. 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, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 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 counties 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.

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

| | 2003 Second - Half Collections | | 2004 First - Half Collections | |
|-----------------------------------------------|-----------------------------------|-------------|----------------------------------|-------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential | \$60,093,070 | 86% | \$61,172,970 | 87% |
| Industrial/Commercial | 1,853,060 | 3% | 1,558,310 | 2% |
| Public Utility | 3,883,190 | 6% | 3,831,630 | 5% |
| Tangible Personal | 3,624,360 | 5% | 3,937,600 | 6% |
| Total Assessed Value | <u>\$69,453,680</u> | <u>100%</u> | <u>\$70,500,510</u> | <u>100%</u> |
| Tax rate per \$1,000 of assessed valuation | \$54.90 | | \$54.90 | |

6. RISK MANAGEMENT

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2004, the School District contracted with the Phelan Insurance Company for the following insurance coverage:

| | |
|----------------------------------------------------------------------|-------------|
| Commercial Property Contents - replacement cost (\$2,500 deductible) | |
| General Liability (\$2,000,000 aggregate) | \$1,000,000 |
| Per Occurrence (includes \$4,000,000 umbrella) | 5,000,000 |
| Total Per Year | 6,000,000 |
| Errors and Omissions (\$2,500 deductible) | 1,000,000 |

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.

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

6. RISK MANAGEMENT (Continued)

For fiscal year 2004, the 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 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.

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

7. 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.

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

7. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal years ended June 30, 2004 and 2003, plan members were required to contribute 10 percent and 9.3 percent, respectively, 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. For the fiscal year ended June 30, 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2004, 2003, and 2002 was \$427,667, \$409,784, and \$423,040, respectively; all required contributions have been made for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002.

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 years ended June 30, 2004 and 2003, plan members were required to contribute 10 and 9 percent, respectively, 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. For the fiscal year ended June 30, 2003, the portion used to fund pension obligations was 8.17 percent. 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 were \$68,084, \$58,771, and \$96,433, respectively; all required contributions have been made 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, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

8. POST EMPLOYMENT 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.

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

8. POST EMPLOYMENT BENEFITS (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By 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 years 2004 and 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the fiscal year ended June 30, 2002, the portion used to fund health care was 4.5 percent. For the School District, this amount was \$32,897 during the 2004 fiscal year and \$31,522 during fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve 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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 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 and 2003, the minimum pay was established at \$24,500 and \$14,500, respectively. For the School District, the amount to fund health care benefits, including the surcharge, was \$48,218 for fiscal year 2004 and \$55,015 for fiscal year 2003.

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.

9. LONG-TERM OBLIGATIONS

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

| | Balance at 6/30/03 | Additions | Deductions | Balance at 6/30/04 |
|----------------------------|-----------------------------------|------------------|-------------------|-----------------------------------|
| General Obligation Bonds | \$5,490,000 | | \$115,000 | \$5,375,000 |
| Capital appreciation bonds | 131,706 | 18,509 | | 150,215 |
| Total | \$5,621,706 | \$18,509 | \$115,000 | \$5,525,215 |

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

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

9. LONG-TERM OBLIGATIONS (Continued)

The capital appreciation bonds will mature in fiscal years 2011 and 2012. The maturity amount of the bonds is \$210,000 and \$215,000, respectively. For fiscal year 2004, \$18,509 was accreted for a total bond value of \$150,215.

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

| Fiscal year Ending June 30, | Principal | Interest | Total |
|--------------------------------|--------------------|--------------------|--------------------|
| 2005 | \$125,000 | \$285,765 | \$410,765 |
| 2006 | 135,000 | 279,717 | 414,717 |
| 2007 | 145,000 | 273,065 | 418,065 |
| 2008 | 160,000 | 265,705 | 425,705 |
| 2009 | 170,000 | 257,660 | 427,660 |
| 2010 – 2014 | 600,000 | 716,393 | 1,316,393 |
| 2015 – 2019 | 1,370,000 | 933,350 | 2,303,350 |
| 2020 – 2024 | 1,925,000 | 483,312 | 2,408,312 |
| 2025 - 2026 | 745,000 | 35,890 | 780,890 |
| Total | <u>\$5,375,000</u> | <u>\$3,530,857</u> | <u>\$8,905,857</u> |

10. SET ASIDE REQUIREMENTS

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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, S.B. No. 345 eliminated the requirement that districts establish and maintain a budget stabilization reserve. The Act provided requirements for the disposition of any budget reserve balance that may have existed at April 10, 2001. The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2004 and 2003.

| | Textbooks | Capital Improvements | Budget Stabilization Reserve |
|-----------------------------------------|-------------------|-------------------------|------------------------------------|
| Balance June 30, 2002 | \$(64,039) | \$0 | \$19,162 |
| Elimination of Budget Reserve | 0 | 0 | (19,162) |
| Current Year Set Aside Requirement | 113,133 | 113,133 | 0 |
| Qualifying Expenditures | (120,322) | (113,133) | 0 |
| Set Aside Reserve Balance June 30, 2003 | <u>\$(71,228)</u> | <u>\$0</u> | <u>\$0</u> |

| | Textbooks | Capital Improvements |
|-----------------------------------------|-------------------|-------------------------|
| Balance June 30, 2003 | \$(71,228) | \$0 |
| Current Year Set Aside Requirement | 119,836 | 119,836 |
| Qualifying Expenditures | (74,300) | (263,547) |
| Set Aside Reserve Balance June 30, 2004 | <u>(\$25,692)</u> | <u>(\$143,711)</u> |

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

10. SET ASIDE REQUIREMENTS (Continued)

Although the District had qualifying disbursements for textbooks and instructional materials and capital maintenance during the fiscal year that reduced the set-aside amounts to below zero, the extra amount for capital maintenance may not be used to reduce the set-aside requirement of future years. The negative amount is there for not presented as being carried forward to the next fiscal year.

11. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The 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. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

B. Western Buckeye Educational Service Center Van Wert County Local Professional Development Committee

The District is a participant in the Western Buckeye Educational Service Center Van Wert County Local Professional Development Committee (the Committee), which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by a Board made up of teachers from Crestview Local School District, Lincolnview Local School District, Vantage Career Center, Western Buckeye Educational Service Center, Thomas Edison MRDD, and principals from districts of the consortium. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained from the Western Buckeye Educational Service Center, 216 Central Avenue, Van Wert, Ohio 45891.

C. Vantage Career Center

The Vantage Career Center is a distinct political subdivision of the State of Ohio, which provides vocational education to students. The Center 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 Career Center, 818 North Franklin Street, Van Wert, Ohio 45891.

12. INSURANCE POOLS

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

The 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

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

11. INSURANCE POOLS (Continued)

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 School Insurance Group (VWASIG)

The Van Wert Area School 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, 641 North Jefferson Street, Van Wert, Ohio 45891.

13. 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 District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

14. CONTINGENCIES

A. Grants

The 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 are 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 District at June 30, 2004.

B. Litigation

There are currently no matters in litigation with the District as defendant.

15. CONTRACTUAL COMMITMENTS

As of June 30, 2004, the District had the following contractual purchase commitments:

| <u>Company</u> | <u>Amount Remaining</u> |
|----------------------------|-----------------------------|
| Mid America Surfaces, Inc. | \$66,630 |
| Bluffton Paving, Inc. | 92,510 |
| A.M.A. Material Supply | 12,416 |
| Elwer Fence | 11,999 |
| Lyle Sheets | 2,026 |
| Total | <u>\$185,581</u> |

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

16. SERVICE CONTRACT COMMITMENTS

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

LINCOLNVIEW LOCAL SCHOOL DISTRICT - VAN WERT COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 2003

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|-----------------------------------------------------------|-------------------------------------|---------------------------|------------------|----------------------|------------------|---------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>(Passed through Ohio Department of Education)</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| Food Distribution Program | N/A | 10.550 | | \$18,422 | | \$18,422 |
| National School Lunch Program | 050369-LLP4-2002 | 10.555 | 11,839 | | 11,839 | |
| National School Lunch Program | 050369-LLP4-2003 | 10.555 | 43,592 | | 43,592 | |
| Total National School Lunch | | | 55,431 | | 55,431 | |
| Total U.S. Department of Agriculture - Nutrition Cluster | | | 55,431 | 18,422 | 55,431 | 18,422 |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| <i>(Passed through Ohio Department of Education)</i> | | | | | | |
| Title I, Part A, IASA | 050369-C1SD-2003 | 84.010 | 53,286 | | 45,702 | |
| Title I, Part A, IASA | 050369-C1S1-2003 | 84.010 | 46,624 | | 46,624 | |
| Title I, Part A, IASA | 050369-C1S1-2002 | 84.010 | 6,497 | | 6,688 | |
| Title I, Part A, IASA | 050369-C1SD-2002 | 84.010 | (6,858) | | 17,764 | |
| Total Title I | | | 99,549 | | 116,778 | |
| Title VI-B, Special Education Grants to States | 050369-6BSF-2002-P | 84.027 | 5,457 | | 6,279 | |
| Title VI-B, Special Education Grants to States | 050369-6BSF-2003-P | 84.027 | 74,512 | | 73,016 | |
| Total Title VI-B | | | 79,969 | | 79,295 | |
| Title VI, Innovative Education Program Strategies | 050369-C2S1-2003 | 84.298 | 16,115 | | 16,115 | |
| Class Size Reduction | 050369-CRS1-2001 | 84.340 | (1,856) | | 4,324 | |
| Class Size Reduction | 050369-CRS1-2002 | 84.340 | (3,916) | | | |
| Total Class Size Reduction | | | (5,772) | | 4,324 | |
| Drug Free Grant | 050369-DRS1-2003 | 84.186 | 2,922 | | 2,922 | |
| Technology Literacy | 050369-TJS1-2003 | 84.318 | 1,277 | | 1,277 | |
| Improving Teacher Quality | 050369-TRS1-2003 | 84.367 | 15,103 | | 16,090 | |
| Total U.S. Department of Education | | | 209,163 | | 236,801 | |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | |
| <i>(Passed through Ohio Department of Education)</i> | | | | | | |
| TANF Student Intervention | N/A | 93.558 | 917 | | 917 | |
| Total Federal Assistance | | | <u>\$265,511</u> | <u>\$18,422</u> | <u>\$293,149</u> | <u>\$18,422</u> |

See accompanying notes to the schedule of federal awards expenditures.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2003**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- CHILD NUTRITION CLUSTER

Program regulations do not require the 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 the 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 -- PROGRAM YEAR TRANSFERS

The negative receipt recorded under CFDA #84.340 represents a transfer to CFDA # 84.367, due to the elimination of CFDA # 84.340. The negative receipt under CFDA #84.010 was a transfer between program years. These transfers are recorded as a negative receipt in the transferring fund/special cost center and a positive receipt in the receiving fund/special cost center.

The District had an approved transfer of \$11,369 from CFDA # 84.367 to CFDA #84.298 which is reflected as revenue under CFDA #84.298.

NOTE D -- REFUND OF MONEY

During fiscal year 2003, the District was required to refund \$1,856 for CFDA #84.340 to the Ohio Department of Education. This refund was recorded as negative receipts on this schedule.



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of Lincolnview Local School District, Van Wert County, (the School District), as of and for the fiscal years ended June 30, 2004 and 2003, and have issued our report thereon dated December 29, 2004, wherein we noted that the School District follows the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is now required. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 29, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted others matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 29, 2004.

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

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

Betty Montgomery
Auditor of State

December 29, 2004



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Lincolnview Local School District, Van Wert County, (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 are applicable to each of its major federal programs for the fiscal year ended June 30, 2003. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the District's management. 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 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 are applicable to each of its major federal programs for the fiscal year ended June 30, 2003. However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the School District in a separate letter dated December 29, 2004.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 29, 2004.

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

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

Betty Montgomery
Auditor of State

December 29, 2004

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | No |
| (d)(1)(vii) | Major Programs (list): | CFDA # 84.010: Title I CFDA #'s 10.550 and 10.555: Nutrition Cluster |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

**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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**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2005**