



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Van Wert City School District
Van Wert County
205 West Crawford
Van Wert, Ohio 45891

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Van Wert City School District, Van Wert County, Ohio (the School District), as of and for the year ended June 30, 2012, 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.

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Van Wert City School District, Van Wert County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2013, 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.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities, and outstanding debt. The Schedule of Federal Awards Receipts and Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

February 27, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The discussion and analysis of the 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, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets decreased \$2,918,673, mostly due to capital outlay disbursements for the ongoing Ohio School Facilities Commission ("OSFC") construction projects.
- Total outstanding debt decreased \$800,457 through principal payments made during the current year and net of a new issuance of refunding bonds of \$2,390,000.

Using this Annual Report

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 Van Wert City School District as a whole, entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2012, the General fund and Classroom Facilities Construction fund are the School District's most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net assets will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The Statement of Net Assets and the Statement of Activities answer this question.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

These two 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 that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the General fund and the Classroom Facilities Construction fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. 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.

Reporting the School District's Fiduciary Responsibilities

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs. The School District's fiduciary funds account for scholarships, student activities and employee funds.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to 2011.

(Table 1)
Net Assets – Cash Basis

	Governmental Activities	
	2012	2011
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 8,047,172	\$ 8,291,374
Cash and Cash Equivalents in Segregated Accounts	5,827,602	8,502,073
Total Assets	13,874,774	16,793,447
Net Assets:		
Restricted for:		
Capital Projects	6,712,616	9,084,101
Debt Service	707,545	700,715
Bus Purchases	6,397	6,397
Educational Purposes:		
Expendable	9,051	8,773
Non-Expendable	25,000	25,000
Other Purposes	1,048,940	901,519
Unrestricted	5,365,225	6,066,942
Total Net Assets	\$13,874,774	\$16,793,447

Net assets of the governmental activities decreased \$2,918,673, which represents a 17 percent decrease from fiscal year 2011. As shown in the table above, the decrease is mainly the result of increased capital outlay disbursements that exceeded the receipts for the ongoing OSFC building project. Additionally, the School District operated fiscal year 2012 without the additional stimulus funding received in prior years.

A portion of the School District's net assets, \$8,509,549 or 61 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$5,365,225 may be used to meet the School District's ongoing obligations.

Table 2 shows the changes in net assets for fiscal year 2012 as compared to fiscal year 2011.

(Table 2)
Change in Net Assets – Cash Basis
Governmental Activities

	Governmental Activities	
	2012	2011
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 2,022,723	\$ 1,921,652
Operating Grants, Contributions and Interest	2,556,778	1,978,895
Capital Grants, Contributions and Interest	14,287,471	9,186,087
Total Program Receipts	18,866,972	13,086,634

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

**(Table 2)
Change in Net Assets – Cash Basis
Governmental Activities
(Continued)**

	Governmental Activities	
	2012	2011
General Receipts:		
Property Taxes	6,863,564	6,419,490
Income Taxes	2,316,749	2,186,395
Grants and Entitlements not Restricted to Specific Programs	11,101,982	11,568,921
Contributions and Donations	9,795	
Payments in Lieu of Taxes	199,735	198,188
Proceeds from Sale of Capital Assets	25	1,000
Proceeds of Loans		450,348
Proceeds of Refunding Bonds Issued	2,390,000	
Premium on Debt Issuance	105,453	
Investment Earnings	48,247	50,775
Miscellaneous	31,092	15,952
Total General Receipts	<u>23,066,642</u>	<u>20,891,069</u>
Total Receipts	<u>41,933,614</u>	<u>33,977,703</u>
Program Disbursements:		
Instruction:		
Regular	10,654,900	10,479,264
Special	2,988,465	2,745,640
Vocational	22,502	2,555
Student Intervention Services	191,137	227,456
Other	577,117	538,189
Support Services:		
Pupils	1,340,378	1,148,265
Instructional Staff	1,408,148	1,337,921
Board of Education	44,259	56,730
Administration	1,850,413	1,765,829
Fiscal	553,482	555,554
Operation and Maintenance of Plant	1,807,880	1,894,055
Pupil Transportation	503,078	383,860
Central	295,019	289,933
Operation of Non-Instructional Services:		
Food Service Operations	846,017	862,081
Community Services	83,866	
Extracurricular Activities	569,370	542,016
Capital Outlay	16,757,219	1,255,449
Debt Service:		
Payment to Refunded Bond Escrow Agent	2,439,400	
Principal Retirement	873,348	835,000
Interest, Fiscal Charges and Issuance Costs	1,046,289	1,014,091
Total Program Disbursements	<u>44,852,287</u>	<u>25,933,888</u>
Change in Net Assets	(2,918,673)	8,043,815
Net Assets Beginning of Year	16,793,447	8,749,632
Net Assets End of Year	<u>\$13,874,774</u>	<u>\$16,793,447</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

The OSFC funded construction projects were nearing completion in the current fiscal year with the School District utilizing \$2,660,215 of grant monies received in prior years. Small increases in program and general receipts were not sufficient to cover increases in instruction and support services disbursements, reflecting the expiration of federal stimulus programs.

New federal grants including Education Jobs and Race to the Top contributed to the increase in operating grants during fiscal year 2012.

Governmental Activities

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**(Table 3)
Governmental Activities – Cash Basis**

	Total Costs of Services		Net Costs of Services	
	2012	2011	2012	2011
Program Disbursements:				
Instruction:				
Regular	\$10,654,900	\$10,479,264	\$ 8,984,736	\$ 9,364,105
Special	2,988,465	2,745,640	2,131,677	1,408,846
Vocational	22,502	2,555	17,522	(4,476)
Student Intervention Services	191,137	227,456	191,137	227,456
Other	577,117	538,189	577,117	538,189
Support Services:				
Pupils	1,340,378	1,148,265	1,340,378	1,095,983
Instructional Staff	1,408,148	1,337,921	1,133,322	1,292,262
Board of Education	44,259	56,730	44,259	56,730
Administration	1,850,413	1,765,829	1,414,053	1,645,454
Fiscal	553,482	555,554	551,952	555,554
Operation and Maintenance of Plant	1,807,880	1,894,055	1,764,897	1,861,514
Pupil Transportation	503,078	383,860	503,078	383,860
Central	295,019	289,933	223,775	223,620
Operation of Non-Instructional Services:				
Food Service Operations	846,017	862,081	(76,648)	(43,094)
Community Services	83,866		28,032	
Extracurricular Activities	569,370	452,016	327,243	322,798
Capital Outlay	16,757,219	1,255,449	2,469,758	(7,930,638)
Debt Service:				
Payment to Refunded Bond Escrow	2,439,400		2,439,400	
Principal Retirement	873,348	835,000	873,348	835,000
Interest, Fiscal Charges and Issuance	1,046,289	1,014,091	1,046,289	1,014,091
Total	\$44,852,287	\$25,933,888	\$25,985,315	\$12,847,254

Grants received in fiscal year 2011 from ARRA stimulus monies used to fund special instruction, and Education Jobs grant used to fund pupil support services, were not repeated in fiscal year 2012 as both programs ended.

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 42 percent of all governmental expenses. The community is the largest area of support for the School District students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$13,874,774, which is lower than the prior year balance of \$16,793,447.

The General fund had total cash receipts and other financing sources of \$20,103,202. The cash disbursements of the General fund totaled \$20,804,928. The General fund's fund balance decreased \$701,726 in fiscal year 2012. The decrease in fund balance can be attributed to lower governmental funding.

The Classroom Facilities Construction fund had total cash receipts of \$13,158,871 and total cash disbursements of \$15,819,086, for a decrease in fund balance of \$2,660,215 in fiscal year 2012. The decrease in fund balance is due to disbursements for the ongoing OSFC construction project exceeding receipts for those projects.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the School District amended its General fund budget several times. For the General fund, final budgeted receipts were \$18,066,305, unchanged from the original estimate. Actual receipts of \$20,002,523 were \$1,936,218 higher than the final budget. Of this increase, most was attributable to an increase in property and local taxes and intergovernmental receipts, as the School District was conservative in its estimated receipts for the fiscal year.

For fiscal year 2012, the General fund final budgeted disbursements were \$21,332,435, which is over the original budgeted disbursements of \$20,551,618. Actual disbursements of \$20,912,244 were \$420,191 lower than the final budget. Actual instruction and pupil support services disbursements were significantly under budgeted expectations.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2012 and 2011.

**(Table 4)
Outstanding Debt, at June 30,**

	Governmental Activities	
	2012	2011
2002 School Improvement Serial Bonds	\$735,000	\$ 3,835,000
2006 Refunding Bonds – Serial, Term and Capital Appreciation Bonds	9,198,390	9,232,715
2007 Refunding Bonds – Serial and Capital Appreciation Bonds	8,931,252	8,929,036
2011 Refunding Bonds – Serial and Capital Appreciation Bonds	2,390,000	
OASBO School Improvement Loan	1,722,000	1,775,000
Energy Conservation Loan Series 2011	445,000	450,348
Total	<u>\$23,421,642</u>	<u>\$24,222,099</u>

For further information regarding the School District's debt, refer to Note 11 of the basic financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Current Issues

Finances are always a big concern of the School District, but with the economic slump affecting our nation coupled with the numerous turn of events as mentioned below finances will be taking on an even greater concern in the foreseeable future. Fiscal year 2011, with an operating loss in excess of \$339,000, and fiscal year 2012 with an operating loss of nearly \$746,800 were the only two years the School District has operated in the red since fiscal year 2007, while each year of the five-year forecast indicates an operating deficit.

A significant aspect to the deficit expenditure issue is the "speed-up" of the reimbursement phase out of Tangible Personal Property (TPP) Tax receipts. HB 66 adopted by the State on June 30, 2005 was to phase out TPP reimbursement payments from fiscal year 2012 through fiscal year 2018. However, HB 153 passed in June 2011 sped up the process and Van Wert City School's will no longer receive TPP reimbursements after fiscal year 2013. Total of TPP reimbursements for fiscal years 2012 and 2013 is estimated at \$810,099, down tremendously from the estimate of \$2,784,224 if payments were phased out through 2018.

Another factor affecting the School District's financial position is the receipt of or lack thereof of Federal Stimulus grant dollars. The School District received a total of \$1,318,328 of State Fiscal Stabilization Funds (SFSF) during the two year period ending June 30, 2011. Beginning in fiscal year 2012 the District no longer receive SFSF funds, but instead received one year of Federal Education Jobs Fund Grant money in the amount of \$433,700. Beginning with fiscal year 2013 the School District will no longer receive any of these funds and must find a way to absorb these losses.

An issue that has been on-going is the amount of money the School District has been losing to open enrollment. The net loss for fiscal years 2006 thru 2009 was \$3,130,000, while the net loss for each of fiscal years 2010, 2011, and 2012 respectively has been \$1,025,421, \$1,162,682, and \$1,210,559. The Board of Education and the Administration are working with the Community Advisory Council to fix this ever increasing loss of students and funds.

The School District is currently in the middle of a five-year 1 percent income tax levy that expires December 31, 2013. The levy was originally projected to bring in \$2,290,000 per year; however, with the economic difficulties effecting Van Wert, actual collections had fallen short of projections until fiscal year 2012 when \$2,316,749 was collected. It will be crucial for the School District to renew this levy during calendar year 2013.

The School District is looking at a number of cost-cutting options to try to account for the above mentioned losses in revenues.

The School District's current negotiated agreement with the teacher's union runs from June 30, 2011 through June 29, 2014. Salary and Benefits only will be re-opened for the period beginning June 30, 2013.

The School District is currently constructing an Elementary school building for grades 1 through 5, budgeted at nearly \$22,000,000. The base cost of this project is being funded by the Ohio School Facilities Commission (OSFC), with the remaining funds coming from the School District's Expedited Local Partnership Program (ELLP) credit along with some operational upgrades being funded from the School District's Permanent Improvement Fund. This project was completed in time for the beginning of the 2012-2013 school year.

The School District is also working towards the renovation of the Jefferson Elementary School building into a Pre-K-K, Early Childhood Education building with construction beginning immediately after Memorial Day of 2012. This project, with a budget in excess of \$4,335,000, is to be paid for with OSFC funds and is expected to be completed by the end of calendar year 2012.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

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 show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Michael Ruen, Treasurer, Van Wert City School District, 205 West Crawford Street, Van Wert, Ohio 45891-1903.

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

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2012**

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>LifeLinks Community School</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$8,047,172	\$62,498
Cash and Cash Equivalents in Segregated Accounts	5,827,602	
Total Assets	<u>13,874,774</u>	<u>62,498</u>
Net Assets:		
Restricted for:		
Capital Projects	6,712,616	
Debt Service	707,545	
Bus Purchases	6,397	
Educational Purposes:		
Expendable	9,051	
Non-expendable	25,000	
Other Purposes	1,048,940	56,150
Unrestricted	5,365,225	6,348
Total Net Assets	<u>\$13,874,774</u>	<u>\$62,498</u>

See Accompanying Notes to Basic Financial Statements.

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions and Interest	Primary Government	Component Unit
					Governmental Activities	LifeLinks Community School
Governmental Activities:						
Instruction:						
Regular	\$10,654,900	\$1,404,763	\$265,401		(\$8,984,736)	
Special	2,988,465	72,905	783,883		(2,131,677)	
Vocational	22,502		4,980		(17,522)	
Student Intervention Services	191,137				(191,137)	
Other	577,117				(577,117)	
Support Services:						
Pupils	1,340,378				(1,340,378)	
Instructional Staff	1,408,148		274,826		(1,133,322)	
Board of Education	44,259				(44,259)	
Administration	1,850,413		436,360		(1,414,053)	
Fiscal	553,482	1,530			(551,952)	
Operation and Maintenance of Plant	1,807,880		42,983		(1,764,897)	
Pupil Transportation	503,078				(503,078)	
Central	295,019		71,244		(223,775)	
Operation of Non-Instructional Services:						
Food Service	846,017	374,130	548,535		76,648	
Community Services	83,866		55,834		(28,032)	
Extracurricular Activities	569,370	169,395	72,732		(327,243)	
Capital Outlay	16,757,219			\$14,287,471	(2,469,748)	
Debt Service:						
Payment to Refunded Bond Escrow Agent	2,439,400				(2,439,400)	
Principal Retirement	873,348				(873,348)	
Interest, Fiscal Charges and Issuance Costs	1,046,289				(1,046,289)	
Total Governmental Activities	44,852,287	2,022,723	2,556,778	14,287,471	(25,985,315)	
Component Unit:						
LifeLinks Community School	575,216	147	136,157			(\$438,912)
Totals	\$45,427,503	\$2,022,870	\$2,692,935	\$14,287,471	(25,985,315)	(438,912)
General Receipts:						
Property Taxes Levied for:						
General Purposes					5,120,617	
Debt Service					1,393,601	
Permanent Improvements					349,346	
Income Taxes Levied for General Purposes					2,316,749	
Grants and Entitlements not Restricted to Specific Programs					11,101,982	480,356
Contributions and Donations					9,795	
Payments in Lieu of Taxes					199,735	
Proceeds from Sale of Capital Assets					25	
Proceeds from Refunding Bonds Issued					2,390,000	
Premium on Debt Issuance					105,453	
Investment Earnings					48,247	139
Miscellaneous					31,092	
Total General Receipts					23,066,642	480,495
Change in Net Assets					(2,918,673)	41,583
Net Assets at Beginning of Year					16,793,447	20,915
Net Assets at End of Year					\$13,874,774	\$62,498

See Accompanying Notes to Basic Financial Statements.

VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Classroom Facilities Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$5,312,232		\$2,641,499	\$7,953,731
Restricted Cash and Cash Equivalents	59,390		34,051	93,441
Cash and Cash Equivalents in Segregated Accounts		5,827,602		5,827,602
Total Assets	<u>5,371,622</u>	<u>5,827,602</u>	<u>2,675,550</u>	<u>13,874,774</u>
Fund Balances:				
Non-spendable			25,000	25,000
Restricted	59,390	5,827,602	2,650,550	8,537,542
Assigned	1,248,597			1,248,597
Unassigned	4,063,635			4,063,635
Total Fund Balances	<u>5,371,622</u>	<u>5,827,602</u>	<u>2,675,550</u>	<u>13,874,774</u>

See Accompanying Notes to Basic Financial Statements.

VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General	Classroom Facilities Construction	Other Governmental	Total Governmental Funds
Receipts:				
Property and Other Local Taxes	\$5,120,617		\$1,742,947	\$6,863,564
Income Taxes	2,316,749			2,316,749
Intergovernmental	10,802,826	\$13,151,745	3,851,822	27,806,393
Investment Income	48,247	7,126	1,679	57,052
Tuition and Fees	939,937			939,937
Extracurricular Activities	51,021		118,199	169,220
Gifts and Donations	29,316		47,901	77,217
Charges for Services	542,115		369,919	912,034
Payments in Lieu of Taxes	199,735			199,735
Rent	1,530			1,530
Miscellaneous	51,084		43,621	94,705
Total Receipts	<u>20,103,177</u>	<u>13,158,871</u>	<u>6,176,088</u>	<u>39,438,136</u>
Disbursements:				
Current:				
Instruction:				
Regular	10,423,170		231,730	10,654,900
Special	2,282,652		705,813	2,988,465
Vocational	22,502			22,502
Student Intervention Services	191,137			191,137
Other	577,117			577,117
Support Services:				
Pupils	1,330,226		10,152	1,340,378
Instructional Staff	1,131,723		276,425	1,408,148
Board of Education	44,259			44,259
Administration	1,372,519		477,894	1,850,413
Fiscal	491,188		62,294	553,482
Operation and Maintenance of Plant	1,793,731		14,149	1,807,880
Pupil Transportation	503,078			503,078
Central	225,248		69,771	295,019
Extracurricular Activities	387,210		182,160	569,370
Operation of Non-Instructional Services:				
Food Service Operations			846,017	846,017
Community Services	1,575		82,291	83,866
Capital Outlay	5,896	15,819,086	932,237	16,757,219
Debt Service:				
Principal Retirement	5,348		868,000	873,348
Interest, Fiscal Charges, and Issuance Costs	16,349		1,029,940	1,046,289
Total Disbursements	<u>20,804,928</u>	<u>15,819,086</u>	<u>5,788,873</u>	<u>42,412,887</u>
Excess of Receipts Over (Under) Disbursements	<u>(701,751)</u>	<u>(2,660,215)</u>	<u>387,215</u>	<u>(2,974,751)</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	25			25
Payment to Refunded Bond Escrow Agent			(2,439,400)	(2,439,400)
Proceeds of General Obligation Bonds			2,390,000	2,390,000
Premium on Debt Issuance			105,453	105,453
Transfers In			113,804	113,804
Transfers Out			(113,804)	(113,804)
Total Other Financing Sources (Uses)	<u>25</u>		<u>56,053</u>	<u>56,078</u>
Changes in Fund Balances	(701,726)	(2,660,215)	443,268	(2,918,673)
Fund Balances at Beginning of Year	<u>6,073,348</u>	<u>8,487,817</u>	<u>2,232,282</u>	<u>16,793,447</u>
Fund Balances at End of Year	<u>\$5,371,622</u>	<u>\$5,827,602</u>	<u>\$2,675,550</u>	<u>\$13,874,774</u>

See Accompanying Notes to Basic Financial Statements.

VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property and Other Local Taxes	\$4,846,198	\$4,846,198	\$5,120,617	\$274,419
Income Taxes	2,251,987	2,251,987	2,316,749	64,762
Payment in Lieu of Taxes	9,322,120	9,322,120	10,802,826	1,480,706
Intergovernmental	50,000	50,000	48,247	(1,753)
Interest	962,500	962,500	939,937	(22,563)
Tuition and Fees	5,000	5,000	9,795	4,795
Rent	418,500	418,500	541,940	123,440
Charges for Services	199,735	199,735	199,735	
Gifts and Donations	5,000	5,000	1,530	(3,470)
Miscellaneous	5,265	5,265	21,147	15,882
Total Receipts	<u>18,066,305</u>	<u>18,066,305</u>	<u>20,002,523</u>	<u>1,936,218</u>
Disbursements:				
Current:				
Instruction:				
Regular	10,737,600	10,640,618	10,430,865	209,753
Special	2,013,781	2,329,502	2,283,638	45,864
Vocational	19,565	23,466	22,502	964
Student Intervention Services	220,700	194,125	191,137	2,988
Other	537,000	590,908	578,957	11,951
Support Services:				
Pupils	1,219,310	1,367,409	1,341,170	26,239
Instructional Staff	1,130,552	1,156,218	1,132,971	23,247
Board of Education	57,600	44,798	44,909	(111)
Administration	1,158,637	1,388,742	1,360,713	28,029
Fiscal	513,560	524,778	515,451	9,327
Operation and Maintenance of Plant	1,962,569	1,932,719	1,893,643	39,076
Pupil Transportation	396,195	543,977	533,982	9,995
Central	207,214	245,323	239,482	5,841
Extracurricular Activities	344,835	317,853	312,036	5,817
Operation of Non-Instructional Services:				
Community Services			1,575	(1,575)
Capital Outlay	32,500	8,533	7,516	1,017
Debt Service:				
Principal Retirement		6,400	5,348	1,052
Interest and Fiscal Charges		17,066	16,349	717
Total Disbursements	<u>20,551,618</u>	<u>21,332,435</u>	<u>20,912,244</u>	<u>420,191</u>
Excess of Receipts Over (Under) Disbursements	<u>(2,485,313)</u>	<u>(3,266,130)</u>	<u>(909,721)</u>	<u>2,356,409</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets			25	25
Total Other Financing Sources (Uses)			<u>25</u>	<u>25</u>
Changes in Fund Balance	<u>(2,485,313)</u>	<u>(3,266,130)</u>	<u>(909,696)</u>	<u>2,356,434</u>
Fund Balance at Beginning of Year	5,933,575	5,933,575	5,933,575	
Prior Year Encumbrances Appropriated	100,244	100,244	100,244	
Fund Balance at End of Year	<u>\$3,548,506</u>	<u>\$2,767,689</u>	<u>\$5,124,123</u>	<u>\$2,356,434</u>

See Accompanying Notes to Basic Financial Statements.

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

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2012**

	<u>Private Purpose Trust</u>	<u>Investment Trust</u>	<u>Agency</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$99,844		\$150,570
Cash and Cash Equivalents in Segregated Accounts	41,401	3,594,366	
Total Assets	<u>141,245</u>	<u>3,594,366</u>	<u>150,570</u>
Net Assets:			
Held in Trust for Scholarships	73,516		
Held in trust for Student Activities			150,570
Held in Trust for Individual Investment Account		3,594,366	
Endowments	67,729		
Total Net Assets	<u>\$141,245</u>	<u>\$3,594,366</u>	<u>\$150,570</u>

See Accompanying Notes to Basic Financial Statements.

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Private Purpose Trust	Investment Trust
Additions:		
Gifts and Contribution	\$16,542	\$7,014,142
Interest	1,157	2,024
Total Additions	<u>17,699</u>	<u>7,016,166</u>
Deductions:		
Scholarships	14,163	
Payments in Accordance with Trust Agreements		7,599,873
Total Deductions	<u>14,163</u>	<u>7,599,873</u>
Change in Net Assets	3,536	(583,707)
Net Assets at Beginning of Year	<u>137,709</u>	<u>4,178,073</u>
Net Assets at End of Year	<u><u>\$141,245</u></u>	<u><u>\$3,594,366</u></u>

See Accompanying Notes to Basic Financial Statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, located in Van Wert County, provides educational services as authorized by state and federal guidelines.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure the financial statements of the School District 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 Van Wert City 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 following component unit is described due to the relationship to the School District:

LifeLinks Community School – LifeLinks Community School (the "Community School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of at-risk students in grades 6 through 12. The Community School operates under a five-member Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. Based on the significant services provided by the School District to the Community School, the Community School's purpose of servicing the students within the School District, and the relationship between the Board of Education of the School District and the Board of Directors of the Community School, the Community School is a component unit of the School District and the financial activity of the Community is presented as a discretely presented component unit of the School District. Separately issued financial statements can be obtained from the Treasurer, Michael Ruen, at 205 Crawford Street, Van Wert, Ohio 45891.

The School District's reporting entity also includes the following:

Non-Public School - Within the School District's boundaries, St. Mary of the Assumption is operated as a 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District participates in two jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Vantage Career Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Van Wert Area Schools Insurance Group. These organizations are presented in Notes 16 and 17 to the basic financial statements.

These financial statements are presented on cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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 cash and investment balance of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct disbursements and program receipts for each function of the governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function.

Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the School District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis of accounting or draws from the general receipts 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

1. Total assets, receipts or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, receipts or disbursements of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major governmental funds are the General Fund and the Classroom Facilities Construction 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.

Classroom Facilities Construction Fund - The Classroom Facilities Construction Fund is used to account for the receipts and disbursements for the construction of new classroom facilities.

The other governmental funds of the School District account for grants and other resources in which the School District is bound to observe constraints imposed upon the use of the resources.

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 Schools 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 non-instructional staff-related activities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods or services received but not yet paid, and accrued expenditures and liabilities) are not recorded in the financial statements.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e. when an encumbrance is approved). Differences between disbursements reported in the fund and entity-wide statements versus budgetary disbursements are due to encumbrances outstanding at the beginning and end of the fiscal year.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraphs.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control selected by the Board is at the 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.

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

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 receipt of each fund. Prior to June 30, the School District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipts are identified by the School District Treasurer.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. The legal level of budgetary control selected by the Board is at the object level for the General Fund and the fund level for all other funds.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals. Any revisions that alter the total of any fund's appropriations must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The 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.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as restricted or assigned fund balance for subsequent-year disbursements of governmental funds.

5. Lapsing of Appropriations

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, with the exception of the investment trust fund and the classroom facilities construction fund 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".

During fiscal year 2012, the School District invested in shares of Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, Federal Farm Credit Bank, certificates of deposit and STAROhio. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2012.

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 2012 was \$48,247, which includes \$16,041 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.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

F. 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 externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund include unexpended receipts restricted for budget stabilization and bus purchases. See Note 12 for more information on the School District's set asides.

G. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. Inventory and Prepaid Items

On the cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when purchased.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

J. Compensated Absences

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.

K. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

L. Equity Classifications

1. Government-Wide Statements

Equity is classified as net assets and is displayed in separate components:

- a. Restricted net assets** – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the School District. 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. At June 30, 2012, there were no net assets restricted by enabling legislation.
- b. Unrestricted net assets** – All other net assets that do not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

2. Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

- a. Non-spendable** - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b. Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- e. Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

M. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and state reimbursement type grants are recorded as receipts when the grant is received.

N. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 disbursements to the funds that initially paid for them are not presented on the financial statements. See Note 13 for more information on the School District's interfund activity.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Receipts and Disbursements

1. Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating and capital grants, contributions and interest. All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

2. Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

3. DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active deposits are public deposits necessary to meet current demands upon the School District treasury. Such monies must be maintained either as cash in the 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.

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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days ;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

As of June 30, 2012, the School District had \$1,380 in un-deposited cash on hand which is included in the pooled cash and cash equivalents.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, the carrying amount of the School District's deposits was \$14,081,853 and the bank balance was \$15,220,186. Of the bank balance, \$9,413,486 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money has been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

B. Investments

As of June 30, 2012 the School District had the following investments:

	Costs as of 6/30/2012	% of Total Investments	Maturities	
			< 1 Year	1 – 5 Years
Federal National Mortgage Association	\$1,236,834	33.63%	\$250,303	\$986,531
Federal Home Loan Bank	752,487	20.46%		752,487
Federal Farm Credit Bank	500,470	13.61%	250,224	250,246
Federal Home Loan Mortgage	250,488	6.81%		250,488
STAROhio	937,443	25.49%	937,443	
	<u>\$3,677,722</u>	<u>100.00%</u>	<u>\$1,437,970</u>	<u>\$2,239,752</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District’s policy allows the Treasurer to invest in those investments authorized by the Ohio Revised Code, and places additional limitations with amounts authorized for investment in certain types. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. STAROhio must maintain the highest rating provided by at least one nationally recognized standard rating service.

At June 30, 2012 the School District’s investments in US Government/Agency bonds consist of securities in Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporations which are all rated AA+ by Standard and Poor’s.

STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2012, is 53 days and carries a rating of AAAM by Standard and Poor’s.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments, to the Treasurer or qualified trustee.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk — The School District places no limit on the amount of its interim monies it may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to twenty-five percent of the interim monies available for investment at any one time. As shown in the table on the previous page, at June 30, 2012 all of the investments were each more than 5 percent of the total investments held.

4. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2012 taxes were collected are:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. PROPERTY TAXES (Continued)

	2011 Second-Half Collections		2012 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$171,404,170	78.02%	\$176,242,470	78.84%
Industrial/Commercial	40,421,790	18.40%	39,423,850	17.64%
Public Utility	7,866,850	3.58%	7,885,280	3.52%
Total Assessed Value	<u>\$219,692,810</u>	<u>100.00%</u>	<u>\$223,551,600</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$53.60		\$53.50	

5. INCOME TAXES

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2009, for a five-year period. 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.

6. PAYMENT IN LIEU OF TAXES

According to State law, Van Wert County has entered into agreements with a number of property owners under which the County has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the County which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The agreements provide for a portion of these payments to be made to the School District. The property owner's contractual promise to make these payments in lieu of taxes generally continue until the agreement expires.

7. 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 2012, the School District contracted for the following insurance coverage.

A. Property and Liability

Coverage provided by Ohio Casualty Insurance Company is as follows:

Building and Contents	\$75,389,268
General School District Liability:	
Per Occurrence	1,000,000
Total Per Year	2,000,000
Automobile Liability	1,000,000
Uninsured/Underinsured Motorists	1,000,000
Umbrella Liability:	
Per Occurrence	4,000,000
Total Per Year	4,000,000

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. RISK MANAGEMENT (Continued)

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.

B. Workers Compensation

For fiscal year 2012, 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. Participation in the GRP is limited to participants that can meet the GRP's selection criteria.

The firm of Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the GRP. The firm of CompManagement Health Systems is contracted as the workers compensation managed care organization and is responsible for managing the costs related to employee claims as well as tracking that employees return to work when able.

C. Unemployment

The School District has contracted with Sheakley Uniservice, Inc. to manage their state unemployment account, including protesting all contestable claims, auditing benefit charges, providing instruction regarding attendance at hearings, tax rate review and verification, and providing customized reporting and education programs upon request.

D. Health Care

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.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$371,129, \$327,638 and \$301,189, respectively; 50 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan 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 DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,247,124, \$1,249,303 and \$1,190,704, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$8,048 made by the School District and \$5,748 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, one member of the Board of Education has elected social security. The Board's liability is 6.2 percent of wages paid.

9. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$50,738, \$39,672, and \$10,841, respectively; 50 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$21,917, \$21,084, and \$17,911, respectively; 50 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$95,933, \$96,100, and \$92,173, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are 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, high school principal, and treasurer 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.

B. Employee Insurance Benefits

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

11. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/12</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds:					
FY 2007 School Improvement Refunding:					
Serial Bonds 4 - 4. 25%	\$ 6,635,000		\$ 40,000	\$ 6,595,000	\$ 40,000
Term Bonds 4.25%	2,580,000			2,580,000	
Capital Appreciation Bonds	5,000			5,000	
Accretion on Capital Appreciation Bonds	12,715	\$ 5,675		18,390	
FY 2007 School Improvement Refunding:					
Serial Bonds 4%	8,720,000		65,000	8,655,000	70,000
Capital Appreciation Bonds	60,000			60,000	
Accretion on Capital Appreciation Bonds	149,036	67,216		216,252	
FY 2003 School Improvement:					
Serial Bonds 2-5%	3,835,000		3,100,000	735,000	735,000
FY 2012 School Improvement Refunding:					
Serial Bonds 2-4%		2,390,000		2,390,000	
<i>Total General Obligation Bonds</i>	<u>21,996,751</u>	<u>2,462,891</u>	<u>3,205,000</u>	<u>21,254,642</u>	<u>845,000</u>
School Improvement Loans:					
FY 2006 OASBO School Improvement Loan	1,775,000		53,000	1,722,000	55,000
Energy Conservation Loan Series 2011	450,348		5,348	445,000	20,000
<i>Total School Improvement Loans</i>	<u>2,225,348</u>		<u>58,348</u>	<u>2,167,000</u>	<u>75,000</u>
Total Governmental Activities Long-Term Obligations	<u>\$24,222,099</u>	<u>\$2,462,891</u>	<u>\$3,263,348</u>	<u>\$23,421,642</u>	<u>\$920,000</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

2012 Various Purpose Refunding Bonds - In June 2012, the School District issued \$2,390,000 in voted general obligation bonds for the purpose of refunding a portion of the 2002 School Improvement Bonds originally issued in the aggregate principal amount of \$24,999,960 for the purpose of constructing a new high school. The refunding bond issue consists of \$2,390,000 in serial bonds. The serial bonds have an interest rate of 2 to 4 percent, and mature annually beginning December 1, 2013 and ending December 1, 2015. The bonds will be retired from the debt service fund.

The refunding bond issue provides resources to purchase US Government securities that were placed in trust with an escrow agent, for the purpose of future debt service payments of \$2,390,000 of the 2002 bond issue. The advance refunding reduced cash flows required for debt service by \$99,518 over the next 4 years.

At June 30, 2012, \$2,390,000 of the refunded bonds were outstanding.

2007 School Improvement Refunding Bonds - On November 30, 2006, the School District issued bonds, in the amount of \$9,380,000, to partially refund bonds previously issued in fiscal year 2003 for the construction of a new high school. The refunding bond issue includes serial, term, and capital appreciation bonds, in the original amount of \$6,795,000, \$2,580,000 and \$5,000, respectively. The bonds were issued for a twenty-four year period, with final maturity during fiscal year 2031. The bonds will be retired through the Bond Retirement debt service fund.

The serial bonds are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2017, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2025, in the amount of \$970,000. For fiscal year 2012, \$5,675 was accreted on the capital appreciation bonds for a total bond value of \$23,390 at fiscal year-end.

At June 30, 2012, \$9,180,000 of the refunded bonds was still outstanding.

2007 School Improvement Refunding Bonds - On December 18, 2006, the School District issued bonds, in the amount of \$9,060,000, to partially refund bonds previously issued in fiscal year 2003 for the construction of a new high school. The refunding bond issue includes serial and capital appreciation bonds, in the original amount of \$9,000,000 and \$60,000, respectively. The bonds were issued for an eighteen year period, with final maturity during fiscal year 2025. The bonds will be retired through the Bond Retirement debt service fund.

The serial bonds are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2017, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2016, in the amount of \$945,000. For fiscal year 2012, \$67,216 was accreted on the capital appreciation bonds for a total bond value of \$276,252 at fiscal year-end.

At June 30, 2012, \$8,715,000 of the refunded bonds was still outstanding.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

2003 School Improvement Bonds - On July 24, 2002, the School District issued bonds, in the amount of \$24,999,960, for the construction of a new high school. The bond issue includes serial, term, and capital appreciation bonds, in the original amount of \$12,315,000, \$11,465,000, and \$1,219,640, respectively. The bonds were issued for a twenty-eight year period, with final maturity in fiscal year 2031. During fiscal year 2007, a portion of the serial bonds, in the amount of \$6,975,000, and a portion of the term bonds, in the amount of \$11,465,000, were refunded. During fiscal year 2012, a portion of the serial bonds in the amount of \$2,390,000 were refunded. The bonds are being retired through the Bond Retirement debt service fund.

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

At June 30, 2012, \$735,000 of the refunded bonds was still outstanding.

OASBO School Improvement Loan - On June 29, 2006, the School District obtained a loan, in the amount of \$2,000,000, for the acquisition and construction of school facilities. The loan has an interest rate of 5.04 percent. The loan was obtained for a twenty-five year period, with final maturity in fiscal year 2031. The loan is being retired through the Permanent Improvement capital projects fund.

Energy Conservation Loan Series 2011 – On June 28, 2011, the School District obtained a \$450,348 un-voted general obligation loan from Capital One Bank for the purpose of providing energy conservation measures for the School District under H.B. 26 5. The loan was issued for a fifteen year period with final maturity of December 1, 2025. Principal payments are calculated on the weighted average maturity and yield of the obligations, ranging from an initial payment of \$5,348 gradually increasing to \$40,000 at maturity. Interest is made in semi-annual payments at 3.95%. The loan is being retired through the General Fund.

Principal and interest requirements to retire outstanding debt obligations at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
2013	\$ 845,000			\$ 810,353	\$ 1,655,353
2014	890,000			784,462	1,674,462
2015	910,000			756,213	1,666,213
2016	950,000			727,262	1,677,262
2017	50,000		\$60,000	715,513	825,513
2018-2022	5,240,000	\$ 175,000		3,047,419	8,462,419
2023-2027	3,225,000	2,405,000	5,000	1,898,994	7,533,994
2028-2031	6,265,000			546,443	6,811,443
	\$18,375,000	\$2,580,000	\$65,000	\$9,286,659	\$30,306,659

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

<u>Fiscal Year Ending June 30,</u>	School Improvement Loans		
	Principal	Interest	Total
2013	\$ 75,000	\$ 103,972	\$ 178,972
2014	83,000	100,311	183,311
2015	86,000	96,499	182,400
2016	89,000	92,338	181,338
2017	98,000	88,026	186,026
2018-2022	560,000	366,530	926,530
2023-2027	665,000	220,945	885,945
2027-2031	511,000	66,074	577,074
	\$2,167,000	\$1,134,596	\$3,301,596

12. STATUTORY RESERVES

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 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 fiscal years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2012, the unspent portion of budget stabilization continues to be set aside.

The following cash basis information describes the changes in the fiscal year set aside amounts for capital acquisition. State statute requires disclosing this information. For fiscal year ended June 30, 2012, the restricted activity was as follows:

	Capital Acquisition	Budget Stabilization
Set Aside Restricted Balance June 30, 2011		\$52,993
Current Year Set Aside Requirement	\$ 330,937	
Current Year Qualifying Disbursements	(143,120)	
Excess Qualified Disbursements from Prior Year		
Current Year Offsets	(456,991)	
Prior Year Offsets from Bond Proceeds		
Total	(\$269,174)	52,993
Balance Carried Forward to Fiscal Year 2013		
Set Aside Restricted Balance June 30, 2012	\$ 0	\$52,993

The School District had qualifying expenditures and offsets during the fiscal year that reduced the capital acquisition set aside amount below zero. The extra amount may not be used to reduce the set aside requirements of future years as it cannot be carried forward.

13. INTERFUND TRANSACTIONS

During fiscal year 2012, transfers of \$113,804 were made to move monies from the Permanent Improvement fund to the Classroom Facilities Maintenance fund, per agreement with the State and approval of the Board.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

14. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major and all other governmental funds are presented below:

	General Fund	Classroom Facilities Construction Fund	Other Governmental Funds	Total Governmental Funds
Non-spendable:				
Instruction			\$ 25,000	\$ 25,000
Endowment				
Total Non-spendable			25,000	25,000
Restricted for:				
Bus Purchase	\$ 6,397			6,397
Budget Stabilization	52,993			52,993
Permanent Improvement		\$5,827,602	1,355,375	7,182,977
Debt Service			707,545	707,545
Support Services			47,409	47,409
Student Activities			181,211	181,211
Instruction			90,236	90,236
Food Service			268,774	268,774
Total Restricted	59,390	5,827,602	2,650,550	8,537,542
Assigned for:				
Instruction	10,521			10,521
Support Services	184,955			184,955
Permanent Improvement	1,620			1,620
Extracurricular	140			140
Subsequent Year	1,051,361			1,051,361
Total Assigned	1,248,597			1,248,597
Unassigned	4,063,635			4,063,635
Total Fund Balance	\$5,371,622	\$5,827,602	\$2,675,550	\$13,874,774

15. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$67,729, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$73,516 and is included in "Held in trust for scholarships". 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.

**VAN WERT CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

16. 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 2012, the School District paid \$30,352 to NOACSC for various services. Financial information can be obtained from Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

B. Vantage Career Center

The Vantage Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career 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.

17. 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, 205 West Crawford Street, Van Wert, Ohio 45891.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

18. 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

19. COMMITMENTS

A. Contractual Commitments

At June 30, 2012, the School District has the following contractual commitments:

Contractor	Description	Contractual Commitment	Balance
Beilharz Architects, Inc.	Elementary and Jefferson Const. Project	\$ 1,451,375	\$ 173,739
CTL Engineering, Inc.	Elementary and Jefferson Const. Project	155,981	278
Farnham Equipment Company	Elementary and Jefferson Const. Project	40,500	40,500
Four Seasons Environmental, Inc.	Elementary and Jefferson Const. Project	74,734	44,097
Jamison Well Drilling, Inc.	Elementary and Jefferson Const. Project	754,354	116,416
Martin Public Seating Inc.	Elementary and Jefferson Const. Project	124,798	124,798
Netech Corporation	Elementary and Jefferson Const. Project	333,250	333,250
Richard L. Bowen	Elementary and Jefferson Const. Project	1,331,042	517,870
Tom Sexton & Associates, Inc.	Elementary and Jefferson Const. Project	266,314	266,314
Zimmerman School Equipment, Inc.	Elementary and Jefferson Const. Project	194,494	194,494
Absolute Fire Protection	Elementary Construction Project	255,653	6,930
Charles Construction	Elementary Construction Project	11,672,561	1,688,382
Slagle Mechanical Contracting	Elementary Construction Project	835,113	151,602
Vaughn Industries Inc.	Elementary Construction Project	1,745,410	189,926
Woolace Electric Corp.	Elementary Construction Project	2,543,662	420,426
Alexander & Bebout Inc.	Jefferson Construction Project	1,521,600	1,521,600
All-Temp Refrigeration, Inc.	Jefferson Construction Project	219,949	219,949
Brumbaugh-Herrick Inc.	Jefferson Construction Project	14,700	10,500
Koester Electric, Inc.	Jefferson Construction Project	730,000	730,000
Quality Environmental Service, Inc.	Jefferson Construction Project	32,244	32,244
Shambaugh & Son, LP	Jefferson Construction Project	73,865	73,865
Vaughn Industries Inc.	Jefferson Construction Project	934,600	934,600
		\$25,306,199	\$7,791,780

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

19. COMMITMENTS (Continued)

B. Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$197,237 in the General fund, \$7,718,809 in the Classroom Facilities Construction fund and \$565,061 in non-major governmental funds.

20. BUDGETARY BASIS OF ACCOUNTING

The Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis), presented for the General Fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- (b) Some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the fiscal year on the budget basis to the cash basis for the General Fund is as follows:

Net Change in Fund Balance	General Fund
Cash Basis	(\$701,726)
Funds Budgeted Elsewhere**	(10,874)
Adjustment for Encumbrances	(197,096)
Budget Basis	(\$909,696)

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes administrative educational funds.

21. COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2012, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

22. COMPONENT UNIT – LIFELINKS COMMUNITY SCHOOL

A. Description of the School and Reporting Entity

LifeLinks Community School (the “Community School”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of at-risk students in grades 6 through 12. The Community School, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Community School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Community School.

The Community School was approved for operation under a contract with the Board of Education of the Van Wert City School District (the “Sponsor”) for a period of five years commencing with fiscal year July 1, 2010 through June 30, 2015. The Sponsor is responsible for evaluating the performance of the Community School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Community School operates under a five-member Board of Directors (the “Board”). The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Community School is considered a component unit of the Van Wert City School District (“the Sponsor”) for reporting purposes, in accordance with Governmental Accounting Standard Board (GASB) Statement No. 14.

B. Significant Accounting Policies

The basic financial statements of the Community School have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The more significant accounting policies of the Community School are described below.

1. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Community School’s basic financial statements consist of a Statement of Net Assets—Cash Basis and a Statement of Receipts, Disbursements and Change in Cash Basis Net Assets.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

22. COMPONENT UNIT – LIFELINKS COMMUNITY SCHOOL (Continued)

2. Basis of Accounting

Basis of accounting refers to when receipts and disbursements are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the Community School chooses to prepare its financial statements and notes in accordance with the cash accounting basis. This 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. Pursuant to Ohio Rev. Code Section 117.38, the School may be fined and subject to various other administrative remedies for its failure to file the required financial report.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

3. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, with the exception of 5705.391. All other budgetary provisions are not required to be followed, unless specifically provided in the Community School's contract with its Sponsor. The contract between the Community School and its Sponsor does not prescribe a budgetary process for the Community School.

4. Cash and Cash Equivalents

Cash held by the Community School is reflected as "Equity in Pooled Cash and Cash Equivalents" on the Statement of Net Assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. The Community School had no investments in fiscal year 2012.

5. Inventory and Prepaid Items

The Community School reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

6. Capital Assets and Depreciation

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not reflect these items as assets.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

22. COMPONENT UNIT – LIFELINKS COMMUNITY SCHOOL (Continued)

7. Tax Exemption Status

The Community School is a non-profit organization that, in the opinion of legal counsel, is exempt from federal income taxes due to the Community School's status as an integral part of its sponsoring political subdivision, the Van Wert City School District.

8. Intergovernmental Revenues

The Community School currently participates in the State Foundation Program, the Public Charter Schools Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Other grants and entitlements are recognized as non- operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Community School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Community School on a reimbursement basis.

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Community School. These reviews are conducted to ensure the Community School is reporting accurate enrollment data to the State, upon which State Foundation funding is calculated.

9. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Community School. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of the Community School. All receipts and disbursements not meeting this definition are reported as non-operating.

10. Compensated Absences

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

11. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**VAN WERT CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

22. COMPONENT UNIT – LIFELINKS COMMUNITY SCHOOL (Continued)

12. Net Assets

Equity is classified as net assets and is displayed in separate components. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Community School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Community School applies restricted resources first when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

C. Deposits

At June 30, 2012, the carrying amount of the Community School's deposits was \$62,498 and the bank balance was \$529,723. Of the Community School's bank balance, \$250,000 was covered by Federal Deposit Insurance Corporation, leaving \$279,723 exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent not in the Community School's name. There are no significant statutory restrictions regarding the deposit and investment of funds by the Community School.

Custodial credit risk is the risk that, in the event of a bank failure, the Community School's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The Community School's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

D. Purchased Services

For fiscal year ended June 30, 2012, purchased service disbursements were as follows:

	2012
Professional Services	<u>\$485,949</u>
Travel, Mileage and Meetings	<u>8,533</u>
Total	<u><u>\$494,482</u></u>

E. Service Contracts

1. Northwest Ohio Area Computer Services Cooperative

During fiscal year ended June 30, 2012, the Community School utilized the services of Northwest Ohio Area Computer Services Cooperative ("NOACSC") for instructional, administrative and technical services required for the operation of the Community School. The amount paid to NOACSC during the fiscal year was \$4,085 and is included in purchased services.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

22. COMPONENT UNIT – LIFELINKS COMMUNITY SCHOOL (Continued)

2. Van Wert City School District

The Community School Sponsorship Contract between the Community School and Van Wert City School District (the “Sponsor”) outlined the specific payments to be made by the Community School to the Sponsor during fiscal year 2012. In addition, the Community School Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the Community School by the Sponsor. The Community School paid the Sponsor \$470,571 during fiscal year 2012 for professional and technical services.

F. Risk Management

The Community School 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. For the fiscal year ended June 30, 2012, the Community School contracted with Ohio Casualty. Settled claims did not exceed coverage during the last two fiscal years. There has been no reduction in coverage from the prior fiscal year.

G. Operating Lease

On August 18, 2010 the Community School entered into a two year lease agreement with Trinity Friends Church, an Ohio non-profit corporation, for the use of classrooms, offices, and other facilities. The contracted monthly lease amount was \$2,500. This lease was terminated as of June 30, 2012.

H. Contingencies

1. Grants

The Community School 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 Community School. This also encompasses the Auditor of State’s ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Community School at June 30, 2012, if applicable, cannot be determined at this time.

2. Full-Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. Upon final review of the state funding in 2012, it was found that the State overpaid the Community School by \$2,064 which will be repaid during fiscal year 2013.

3. Litigation

The Community School is not party to any claims or lawsuits that would, in the Community School’s opinion, have a material effect of the basic financial statements.

VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
(Passed through the Ohio Department of Education)					
Child Nutrition Cluster:					
Non Cash Assistance (Food Distribution) School Breakfast Program	10.553		\$11,986		\$11,986
School Breakfast Program	10.553	\$92,580		\$92,580	
Non Cash Assistance (Food Distribution) National School Lunch Program	10.555		107,873		107,873
National School Lunch Program	10.555	444,180		444,180	
Total Nutrition Cluster		536,760	119,859	536,760	119,859
Total U.S. Department of Agriculture		536,760	119,859	536,760	119,859
United States Department of Education					
(Passed through the Ohio Department of Education)					
Title 1 Cluster:					
Title I Grants to Local Educational Agencies	84.010	341,716		341,169	
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	4,218		4,218	
Total Title I Cluster		345,934		345,387	
Special Education Cluster:					
Special Education Grants to States	84.027	469,637		471,470	
ARRA Special Education Grants to States, Recovery Act	84.391	41,058		24,964	
Special Education Preschool Grants	84.173	23,035		19,744	
Total Special Education Cluster		533,730		516,178	
(Passed through the Ohio Department of Health)					
Special Education - Grants for Infants and Families	84.181	39,332		23,618	
(Passed through the Ohio Department of Education)					
Educational Technology State Grants	84.318	2,645		1,883	
Improving Teacher Quality State Grants	84.367	81,063		80,719	
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394			50,226	
ARRA Race to the Top Incentive Grant, Recovery Act	84.395	51,898		51,898	
Race to the Top - New Tech Network Initiative	84.395	233,840		220,002	
Race to the Top - Resident Educator Program	84.395			2,450	
Total Race to the Top Incentive Grant - Recovery Act		285,738		274,350	
Education Jobs	84.410	433,700		417,619	
Total United States Department of Education		1,722,142		1,709,980	
Total Federal Financial Assistance		\$2,258,902	\$119,859	\$2,246,740	\$119,859

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Van Wert City School District's (the School District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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 West Crawford
Van Wert, Ohio 45891

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Van Wert City School District, Van Wert County, (the School District) as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 27, 2013. We also noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2012-03 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2012-01 through 2012-03.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 27, 2013.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Board of Education and federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

February 27, 2013



Dave Yost • Auditor of State

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

Van Wert City School District
Van Wert County
205 West 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 could directly and materially affect each of the Van Wert City School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the School District's major federal programs. 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 opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these 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 these requirements.

In our opinion, the Van Wert City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2012-04.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the 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, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2012-04. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated February 27, 2013.

The School District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

February 27, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #84.410: Education Jobs CFDA #10.553 and 10.555: Nutrition Cluster CFDA #84.395: Race to the Top
(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**

FINDING NUMBER 2012-01

Not Reporting in Accordance with GAAP

Noncompliance

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Adm. Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for 2012 following the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare its annual financial statements in accordance with generally accepted accounting principles to include assets, liabilities, equity and the disclosures to provide a complete presentation of its financial status.

Officials Response:

The School Board has determined that the cost of preparing and auditing financial reports in accordance with GAAP outweighs the benefits; therefore the Board has elected to go with the Other Cash Basis of Accounting method.

FINDING NUMBER 2012-02

Finding Repaid Under Audit – Yearbook Activities

Noncompliance

Sandra Adams, Yearbook Advisor, was responsible for the expenditures, receipts and collection of funds associated with the yearbook student activity, including but not limited to: book sales, ad sales, t-shirt sales, powder puff football admissions, concessions, and jerseys, and reimbursement for expenses related to the activity. In addition, the Yearbook Advisor was responsible for equipment related to the yearbook activity. The following amounts were noted as collected and not deposited by the yearbook activity:

- 2012, 2011, and 2010 Yearbook Camp reimbursements were received by the Advisor and no camps were attended \$570
- 2012 Yearbook t-shirts were purchased by the activity funds and sold by the Advisor \$620
- 2011, 2010, and 2009 Walmart gift cards were purchased by activity fund and not distributed to students \$325
- 2011, 2010, and 2009 powder puff football game admissions, concessions and jersey sales not deposited \$3,710
- Two cameras, Canon S5 and Canon SS30 were taken by Advisor and not returned \$748

**FINDING NUMBER 2012-02
(Continued)**

An outside investigator was contacted by the School District and additional items were noted. Criminal charges were pursued by the outside investigator and the Yearbook Advisor pleaded to those charges.

In accordance with the foregoing facts and pursuant to **Ohio Revised Code Section 117.28**, a Finding for Recovery for public money and assets collected and not accounted for is hereby issued against Sandra Adams, Yearbook Advisor, who was responsible for the expenditures, receipts and collections of funds and equipment of the yearbook activity, and in favor of the Van Wert City School District, Van Wert County Student Activity Yearbook Fund.

Restitution was established by court order and repayment was received in the amount of \$13,224 on November 6, 2012 with receipt #59241.

Officials Response:

None was received by the school officials

FINDING NUMBER 2012-03

Monitoring of Student Activities

Significant Deficiency/Noncompliance

Van Wert City School District Administrative Guideline 5830, Student Fund Raising states the following guidelines are to be followed for any activity that involves fund-raising by students and from students.

No advisor for an approved school organization is to accept any form of compensation from vendors that will provide a fund-raising activity, including, but not limited to, cash, gifts, travel vouchers, tickets, passes, and other things of such value. In the event that such compensation is received, albeit unsolicited, the advisor shall notify the Treasurer, in writing, that he/she received such compensation and shall turn in such compensation to the Treasurer at his/her earliest convenience.

In any fund-raising activity involving students, the following conditions must be met:

- A. Minimal instructional time is to be used to plan, conduct, assess, or manage a fund-raising activity unless such an activity is part of an approved course of study.
- B. Fund-raising activities conducted in a school or on District premises are not to interfere with the conduct of any co-curricular or extra-curricular activity. Students involved in the fund-raiser are not to interfere with students participating in other activities in order to solicit funds.
- C. Student participation in fund-raising activities conducted by school-related groups of which they are not members must be voluntary and must be approved by the student's teacher or counselor to ensure that participation will not adversely affect his/her school work and other school responsibilities.
- D. In accordance with Board policy, each fund-raising activity must be approved by the principal if occurring on District premises and by the Superintendent if occurring off District property. In order to be approved, the group leader or advisor is to submit a proposal in advance of the event so that all fund-raising efforts may be coordinated so as not to burden or be a nuisance to students, faculty, parents, or the community.

**FINDING NUMBER 2012-03
(Continued)**

- E. Contracts with outside suppliers for merchandise to be sold in a fund-raising activity are to be reviewed by the principal and signed by the staff member in charge who shall be personally responsible for the merchandise and monies collected. The contract must specify that any merchandise which is unsold and is resalable can be returned for full credit. The District will not be responsible for any unsold merchandise that cannot be returned to a supplier for credit for any reason.
- F. The staff member in charge should establish procedures to ensure that all merchandise is properly stored, distributed, and accounted for.
- G. Upon completion of a fund-raiser, a final report is to be submitted to the Treasurer. The report should state:
 - 1. cost of items or merchandise;
 - 2. amount of money projected and amount of money raised;
 - 3. any differences between the actual activity and the planned activity;
 - 4. any problems that occurred and how resolved;
 - 5. when and where funds were deposited;
 - 6. if merchandise was involved, how many items were offered for sale, how many sold, the amount of money collected, and the disposition of any unsold items.
- H. If an activity involves the students providing a service in return for money, such as a car wash, a member of the professional staff shall supervise the activity at all times. His/Her responsibility is to ensure the service is provided in a proper manner and also ensure the safety and well-being of the students and the property of both the purchaser and the owner of the site.
- I. Any fund-raisers that require students to exert themselves physically beyond their normal pattern of activity, such as "runs for", must be monitored by a staff member who has the necessary knowledge and training to recognize and deal appropriately with a situation in which one or more students may be over-extending themselves to the point of potential harm.

For the student fundraisers held by the Excalibur Activity including sales of yearbooks, sale of advertisements in the yearbook, sale of game jerseys, powder puff game receipts, and sale of concessions at powder puff football games, the advisor did not submit a proposal in advance of the events to be approved by the principal or by the Superintendent. In addition, at the conclusion of the fund-raisers, a final report was not submitted to the Treasurer and all cash receipts collected were not deposited (see finding 2012-02).

In addition, the School District failed to monitor the fund cash balances of the student activity funds for irregularities and declining balances. The Excalibur Student Activity had a balance of \$23,904.82 on June 30, 2008, and steadily declined to a balance of \$1,649.91 as of June 30, 2012.

The School District should review the policies and procedures used in the monitoring of the student activity funds to ensure all procedures are being properly performed and develop additional procedures as necessary to ensure activity funds are properly received, expended and maintained.

**FINDING NUMBER 2012-03
 (Continued)**

Officials Response:

The Treasurer will become more involved in the monitoring of student activity funds. The Treasurer will also hold an annual meeting with the District's student activity advisors to discuss policy, procedures, and expectations.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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1. Eligibility - Noncompliance/Significant Deficiency

Finding Number	2012-04
CFDA Title and Number	Nutrition Cluster, CFDA #10.553 and 10.555
Federal Award Number / Year	FY 2012
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

7 CFR 245.6 (c)(4) states the local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation, as defined in §245.2, and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in §245.2, the children in that household must be approved for free or reduced price benefits, as applicable.

During fiscal year 2012, the determining official for the Elementary School Building inaccurately determined 21 students as eligible for free price benefits based on the provided applications. Students should have been determined to be eligible for reduced price benefits instead of free price benefits. The failure to comply with federal regulations could result in the loss or suspension of federal funding.

The School District should review procedures for the performance of the determination of free and reduced price benefits related to the Nutrition Cluster program to ensure that the determination is properly performed.

Officials Response:

The Treasurer has already had a meeting with the Elementary Principal involved in this noncompliance deficiency. The Principal is aware of the error that was made and has acknowledged his mistake. The Elementary Principal along with the Cafeteria Manager will be invited to the post audit conference for further understanding and reinforcement of the applicable compliance requirement.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Rev. Code Section 117.38 – Failure to file financial statements in accordance with generally accepted accounting principles (GAAP)	No	Repeated as Finding 2012-01
2011-02	7 CFR 245.6a (a) Nutrition Cluster Verification	No	Partially Corrected – See management letter

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-04	The Treasurer has met with the Elementary Principal involved in the noncompliance deficiency to make him aware of the error that was made and how to correct it.	February 27, 2013	Mike Ruen, Treasurer

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Dave Yost • Auditor of State

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
APRIL 2, 2013