



Mary Taylor, CPA  
Auditor of State



**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincolnview Local School District, Van Wert County, (the School District), as of and for the years ended June 30, 2006 and 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lincolnview Local School District, Van Wert County, as of June 30, 2006 and 2005, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2005, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2007, 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.

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

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

**Mary Taylor, CPA**  
Auditor of State

May 16, 2007

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006 AND 2005  
UNAUDITED**

The discussion and analysis of the financial performance of Lincolnview Local School District (the School District) provides an overall review of the School District's financial activities for the fiscal years ended June 30, 2006 and 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal years 2006 and 2005 are as follows:

- In total, net assets increased \$1,522,487 in fiscal year 2006 and \$848,493 in fiscal year 2005.
- General revenues accounted for \$7,707,194, or 74% of all revenues in 2006 and \$6,644,157, or 74% in 2005. Program specific revenues in the form of operating grants and contributions accounted for \$2,707,714, or 26% of total revenues of \$10,414,908 in 2006 and \$2,329,040, or 26% of total revenues of \$8,973,197 in 2005.
- The School District's major funds in fiscal year 2006 included the General Fund, the Bond Retirement Fund, the Building Improvement Fund, and the Classroom Facilities Fund. The General Fund had \$7,833,798 in revenues and \$7,189,208 in expenditures and other financing uses. The General Fund's balance increased \$644,590 from the prior fiscal year. The Bond Retirement Fund had \$5,718,429 in revenues and other financing sources and \$5,660,374 in expenditures and other financing uses. The Bond Retirement Fund's balance increased \$58,055 from the prior fiscal year. The Building Improvement Fund had \$2,864,759 in revenues and other financing sources and \$91,381 in expenditures. The Building Improvement Fund's balance increased \$2,773,378 from the prior fiscal year. The Classroom Facilities Fund had \$5,476,871 in revenues and other financing sources and \$371,991 in expenditures. The Classroom Facilities Fund's balance increased \$5,104,880 from the prior fiscal year.
- The District's major funds in fiscal year 2005 included the General Fund and the Bond Retirement Debt Service Fund. The General Fund had \$7,448,626 in revenues and \$6,864,995 in expenditures. The General Fund's balance increased \$583,631 from the prior fiscal year. The Bond Retirement Debt Service Fund had \$6,522,235 in revenues and other financing sources and \$6,394,029 in expenditures and other financing uses. The Bond Retirement Debt Service Fund's balance increased \$128,206 from the prior fiscal year.
- The revenue generated from the Bond Retirement Debt Service Fund is used to pay for the current portion of bonded debt.

**Using the Basic Financial Statements**

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

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEARS ENDED JUNE 30, 2006 AND 2005  
UNAUDITED  
(Continued)**

For the School District, the General Fund is by far the most significant fund. The General Fund, the Bond Retirement Fund, the Building Improvement Fund, and the Classroom Facilities Fund are the four major funds for fiscal year 2006. In fiscal year 2005, the major funds were the General Fund and the Bond Retirement Fund.

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2006 and 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the School District discloses a single type of activity:

**Governmental Activities** - All of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

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

**Fund Financial Statements**

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Fund, the Building Improvement Fund, and the Classroom Facilities Fund in fiscal year 2006 and the General Fund and the Bond Retirement Fund in fiscal year 2005. While the School District uses many funds to account for its financial transactions, these are the most significant.

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEARS ENDED JUNE 30, 2006 AND 2005  
UNAUDITED  
(Continued)**

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2006 compared to fiscal year 2005.

**Table 1  
Net Assets  
Governmental Activities**

	2006	2005
<b>Assets:</b>		
Current and Other Assets	\$18,205,658	\$9,067,971
Capital Assets, Net	5,951,286	5,720,637
Total Assets	24,156,944	14,788,608
 <b>Liabilities:</b>		
Current and Other Liabilities	3,627,523	3,455,110
Long-Term Liabilities	13,499,812	5,826,376
Total Liabilities	17,127,335	9,281,486
 <b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	1,146,224	1,062,062
Restricted	1,239,392	526,757
Unrestricted	4,643,993	3,918,303
Total	\$7,029,609	\$5,507,122

The increase in current assets was attributed to bond and note proceeds for the high school building project. The long-term liabilities increased due to issuance of long-term obligations for the building of the new high school.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEARS ENDED JUNE 30, 2006 AND 2005  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2006 compared to fiscal year 2005.

**Table 2  
Change in Net Assets  
Governmental Activities**

	<u>2006</u>	<u>2005</u>
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services and Sales	\$1,488,909	\$1,476,042
Operating Grants, Contributions and Interest	836,524	843,107
Capital Grants and Contributions	382,281	9,891
Total Program Revenues	<u>2,707,714</u>	<u>2,329,040</u>
<b>General Revenues:</b>		
Property Taxes	2,852,352	2,709,907
Grants and Entitlements	3,982,602	3,721,943
Interest	349,997	94,070
Gifts and Donations	307,221	46,331
Miscellaneous	215,022	71,906
Total General Revenues	<u>7,707,194</u>	<u>6,644,157</u>
Total Revenues	<u>10,414,908</u>	<u>8,973,197</u>
<b>Expenses:</b>		
<b>Instruction</b>	5,437,216	4,974,807
<b>Support Services:</b>		
Pupils	219,188	216,068
Instructional Staff	242,500	239,988
Board of Education	30,212	39,263
Administration	845,798	817,697
Fiscal	220,117	213,058
Operation and Maintenance of Plant	608,766	535,590
Pupil Transportation	302,174	355,040
Central	15,385	11,632
Non-Instructional	303,081	301,788
Extracurricular Activities	239,401	194,863
Interest and Fiscal Charges	428,583	224,910
Total Expenses	<u>8,892,421</u>	<u>8,124,704</u>
Increase in Net Assets	<u>\$1,522,487</u>	<u>\$848,493</u>

The School District had increases in property taxes, grants, interest, and donation revenue from fiscal year 2005. These increases were related to a new tax levy, a large donation and interest on bond proceeds all related to the new the high school building project. The increased interest and fiscal charges was related to the new debt issues.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEARS ENDED JUNE 30, 2006 AND 2005  
UNAUDITED  
(Continued)**

**Governmental Activities**

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

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
<b>Instruction</b>	\$5,437,216	\$3,172,990	\$4,974,807	\$3,156,614
<b>Support Services:</b>				
Pupils	219,188	216,547	216,068	157,399
Instructional Staff	242,500	225,855	239,988	208,875
Board of Education	30,212	30,212	39,263	39,263
Administration	845,798	836,484	817,697	807,159
Fiscal	220,117	220,117	213,058	209,417
Operation and Maintenance of Plant	608,766	608,766	535,590	535,590
Pupil Transportation	302,174	296,558	355,040	344,054
Central	15,385	9,385	11,632	5,632
Non-Instructional	303,081	(8,794)	301,788	9,066
Extracurricular Activities	239,401	148,004	194,863	97,685
Interest and Fiscal Charges	428,583	428,583	224,910	224,910
<b>Total Expenses</b>	<b>\$8,892,421</b>	<b>\$6,184,707</b>	<b>\$8,124,704</b>	<b>\$5,795,664</b>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Taxes and other general revenues supported over 58 percent of instruction activities in fiscal year 2006 and 63 percent in fiscal year 2005. For all governmental activities, support from general revenues is 70 percent for fiscal year 2006 and 71 percent for fiscal year 2005. The remaining 30 percent for fiscal year 2006 and 29 percent for fiscal year 2005 is derived from tuition and fees, specific grants, and donations.

**The School District's Funds**

In 2006, the School District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund, the Bond Retirement Fund, the Building Improvement Fund, and the Classroom Facilities Fund. Total governmental funds had revenues of \$23,275,412 and expenditures of \$14,372,123. The net positive change of \$8,903,289 in fund balance for the year indicates that the District is able to meet current costs.

In 2005, the School District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund. Total governmental funds had revenues of \$15,001,213 and expenditures of \$14,260,183. The net positive change of \$741,030 in fund balance for the year indicates that the District is able to meet current costs.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEARS ENDED JUNE 30, 2006 AND 2005  
UNAUDITED  
(Continued)**

**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 2006 and 2005, the School District amended its General Fund budget as needed.

Final expenditures were budgeted at \$7,382,360 while actual expenditures were \$7,207,635 for fiscal year 2006. Final expenditures were budgeted at \$7,211,581 while actual expenditures were \$6,949,214 for fiscal year 2005. The differences of \$174,725 for 2006 and \$262,367 for 2005 are primarily due to budgeting on a conservative "worst case scenario" approach. The School District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**Capital Assets and Debt Administration**

**Capital Assets**

The School District's investment in capital assets (net of accumulated depreciation) for governmental activities of \$5,951,286 as of June 30, 2006 and \$5,720,637 as of June 30, 2005.

For further information regarding the School District's capital assets, see the notes to the basic financial statements.

**Debt**

On March 1, 2005, the School District issued \$5,936,180 in general obligation bonds to refund the August 27, 1997, school improvement bond issue.

On December 28, 2005, the School District issued private placement bonds in the amount of \$2,832,558 for building improvements. The bonds were issued for a twenty-seven year period, with final maturity on December 1, 2033. The bonds are being retired through the Bond Retirement Fund.

On February 22, 2006, the School District issued private placement bonds in the amount of \$5,038,976 for building improvements. The bonds were issued for a twenty-seven year period, with final maturity on December 1, 2033. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2006, the School District had \$13,499,812 outstanding for school improvement general obligation bonds for building improvements and compensated absences.

For further information regarding the District's debt, see the notes to the basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEARS ENDED JUNE 30, 2006 AND 2005  
UNAUDITED  
(Continued)**

**Current Issues**

The School District is holding its own in a State with a declining economy and uncertainty in State funding. Lincolnview is a small rural local school district of 6,000 people in Northwest Ohio. It has a limited number of small and medium businesses with agriculture having a large influence on the economy.

The School District is currently operating in the second year of the state biennium budget. 51 percent of School District revenue sources is from local funds, 44 percent is from state funds and the remaining 5 percent is from federal funds. The total expenditure per pupil was calculated at \$8,128.

Over the past several years, the School District has remained in a good financial position. However, future finances are not without challenges as state funding is revised. Some of these challenges are in the areas of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Troy Bowersock, Treasurer, Lincolnview Local School District, 15945 Middle Point Road, Van Wert, Ohio 45891.

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**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,351,450
Investments with Fiscal Agent	7,270,723
Materials and Supplies Inventory	5,936
Accounts Receivable	299,662
Intergovernmental Receivable	116,037
Prepaid Items	6,658
Taxes Receivable	3,054,782
Deferred Charges	100,410
Non-Depreciable Capital Assets	504,878
Depreciable Capital Assets, net	5,446,408
Total Assets	24,156,944
 <b>Liabilities:</b>	
Accounts Payable	15,165
Accrued Wages and Benefits	595,016
Contracts Payable	49,882
Intergovernmental Payable	158,741
Matured Compensated Absences Payable	38,864
Accrued Interest Payable	15,668
Deferred Revenue	2,754,187
Long-Term Liabilities:	
Due Within One Year	316,534
Due in More Than One Year	13,183,278
Total Liabilities	17,127,335
 <b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	1,146,224
Restricted for Capital Outlay	971,810
Restricted for Other Purposes	267,582
Unrestricted	4,643,993
Total Net Assets	\$7,029,609

*See accompanying notes to the financial statements.*

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$3,276,489	\$1,187,978	\$18,551	\$376,665	(\$1,693,295)
Special	1,319,747		650,001		(669,746)
Vocational	160,275		31,031		(129,244)
Other	680,705				(680,705)
<b>Support Services:</b>					
Pupils	219,188		2,641		(216,547)
Instructional Staff	242,500		16,645		(225,855)
Board of Education	30,212				(30,212)
Administration	845,798	4,314	5,000		(836,484)
Fiscal	220,117				(220,117)
Operation and Maintenance of Plant	608,766				(608,766)
Pupil Transportation	302,174			5,616	(296,558)
Central	15,385		6,000		(9,385)
Operation of Non-Instructional Services	303,081	205,220	106,655		8,794
Extracurricular Activities	239,401	91,397			(148,004)
Interest and Fiscal Charges	428,583				(428,583)
<b>Totals</b>	<u><u>\$8,892,421</u></u>	<u><u>\$1,488,909</u></u>	<u><u>\$836,524</u></u>	<u><u>\$382,281</u></u>	<u><u>(6,184,707)</u></u>
<b>General Revenues:</b>					
<b>Taxes:</b>					
Property Taxes, Levied for General Purposes					2,047,145
Property Taxes, Levied for Capital Outlay					159,528
Property Taxes, Levied for Debt Service					645,679
Grants and Entitlements not Restricted to Specific Programs					3,982,602
Gifts and Donations					307,221
Investment Earnings					349,997
Miscellaneous					215,022
<b>Total General Revenues</b>					<u><u>7,707,194</u></u>
Change in Net Assets					1,522,487
Net Assets Beginning of Year					<u><u>5,507,122</u></u>
Net Assets End of Year					<u><u>\$7,029,609</u></u>

See accompanying notes to the financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Building Improvement Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$5,617,646	\$302,390	\$101,360	\$556,057	\$773,997	\$7,351,450
Investments with Fiscal Agent			2,680,985	4,589,738		7,270,723
Materials and Supplies Inventory					5,936	5,936
Accounts Receivable	299,198				464	299,662
Intergovernmental Receivable					116,037	116,037
Prepaid Items	6,658					6,658
Taxes Receivable	2,078,641	806,126			170,015	3,054,782
<b>Total Assets</b>	<u>8,002,143</u>	<u>1,108,516</u>	<u>2,782,345</u>	<u>5,145,795</u>	<u>1,066,449</u>	<u>18,105,248</u>
<b>Liabilities</b>						
Accounts Payable	7,835				7,330	15,165
Accrued Wages and Benefits	562,306				32,710	595,016
Contracts Payable			8,967	40,915		49,882
Intergovernmental Payable	143,510				15,231	158,741
Matured Compensated Absences Payable	38,864					38,864
Deferred Revenue	1,886,442	728,537			233,922	2,848,901
	<u>2,638,957</u>	<u>728,537</u>	<u>8,967</u>	<u>40,915</u>	<u>289,193</u>	<u>3,706,569</u>
<b>Fund Balances</b>						
<b>Reserved:</b>						
Reserved for Encumbrances	31,027		138,535	691,978	14,043	875,583
Reserved for Prepaid Items	6,658					6,658
Reserved for Property Taxes	192,199	77,589			16,146	285,934
<b>Unreserved, Undesignated, Reported in:</b>						
General Fund	5,133,302					5,133,302
Special Revenue Funds					163,791	163,791
Debt Service Funds		302,390				302,390
Capital Projects Funds			2,634,843	4,412,902	583,276	7,631,021
<b>Total Fund Balances</b>	<u>5,363,186</u>	<u>379,979</u>	<u>2,773,378</u>	<u>5,104,880</u>	<u>777,256</u>	<u>14,398,679</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$8,002,143</u>	<u>\$1,108,516</u>	<u>\$2,782,345</u>	<u>\$5,145,795</u>	<u>\$1,066,449</u>	<u>\$18,105,248</u>

See accompanying notes to the financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006**

Total Governmental Fund Balances		\$14,398,679
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		5,951,286
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$14,661	
Intergovernmental	80,053	
		94,714
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest Payable	(15,668)	
General Obligation Bonds Payable	(13,170,415)	
Deferred Charges	100,410	
Compensated Absences Payable	(329,397)	
		(13,415,070)
Net Assets of Governmental Activities		\$7,029,609

*See accompanying notes to the basic financial statements.*

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Building Improvement Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>						
Property and Other Local Taxes	\$2,047,486	\$643,678			\$159,386	\$2,850,550
Intergovernmental	4,233,405	71,132		\$365,529	518,113	5,188,179
Interest	245,425		\$32,201	72,366	5	349,997
Tuition and Fees	1,161,848				41,094	1,202,942
Rent	3,237					3,237
Extracurricular Activities					91,397	91,397
Gifts and Donations	10,681				296,540	307,221
Customer Sales and Services					191,333	191,333
Miscellaneous	131,716	3,619			79,687	215,022
Total Revenues	<u>7,833,798</u>	<u>718,429</u>	<u>32,201</u>	<u>437,895</u>	<u>1,377,555</u>	<u>10,399,878</u>
<b>Expenditures:</b>						
<b>Instruction:</b>						
Regular	2,934,002				49,057	2,983,059
Special	1,003,032				298,538	1,301,570
Vocational	158,950					158,950
Other	680,705					680,705
<b>Support Services:</b>						
Pupils	160,415				56,786	217,201
Instructional Staff	200,698				34,894	235,592
Board of Education	30,212					30,212
Administration	779,620				60,574	840,194
Fiscal	196,173	14,770	10,196		4,959	226,098
Operation and Maintenance of Plant	576,435					576,435
Pupil Transportation	354,363				96,107	450,470
Central	9,195				6,425	15,620
Operation of Non-Instructional Services					298,522	298,522
Extracurricular Activities	101,408				109,484	210,892
Capital Outlay			81,185	371,991	43,823	496,999
<b>Debt Service:</b>						
Principal		5,265,000				5,265,000
Interest		380,604				380,604
Total Expenditures	<u>7,185,208</u>	<u>5,660,374</u>	<u>91,381</u>	<u>371,991</u>	<u>1,059,169</u>	<u>14,368,123</u>
Excess of Revenues Over (Under) Expenditures	<u>648,590</u>	<u>(4,941,945)</u>	<u>(59,180)</u>	<u>65,904</u>	<u>318,386</u>	<u>(3,968,245)</u>
<b>Other Financing Sources and Uses:</b>						
Transfers In					4,000	4,000
General Obligation Bonds Issued		5,000,000	2,832,558	38,976		7,871,534
Notes Issued				5,000,000		5,000,000
Transfers Out	(4,000)					(4,000)
Total Other Financing Sources and Uses	<u>(4,000)</u>	<u>5,000,000</u>	<u>2,832,558</u>	<u>5,038,976</u>	<u>4,000</u>	<u>12,871,534</u>
Net Change in Fund Balances	644,590	58,055	2,773,378	5,104,880	322,386	8,903,289
Fund Balance (Deficit) at Beginning of Year	4,718,596	321,924			454,870	5,495,390
Fund Balance (Deficit) at End of Year	<u>\$5,363,186</u>	<u>\$379,979</u>	<u>\$2,773,378</u>	<u>\$5,104,880</u>	<u>\$777,256</u>	<u>\$14,398,679</u>

See accompanying notes to the financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Net Change in Fund Balances - Total Governmental Funds \$8,903,289

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

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

Capital Outlay - Depreciable Capital Assets	\$685,332	
Depreciation	<u>(371,422)</u>	
		313,910

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets		(83,261)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Bonds Issued	(7,871,534)	
Intergovernmental	13,228	
Delinquent Property Taxes	<u>1,802</u>	
		(7,856,504)

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

265,000

Interest charges reported on the statement of activities, that do not require the use of current financial resources, are not reported as expenditures in governmental funds.

(47,979)

Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

28,032

Change in Net Assets of Governmental Activities

\$1,522,487

*See accompanying notes to the basic financial statements.*

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
<b>Revenues:</b>				
Property and Other Local Taxes	\$2,043,888	\$2,043,888	\$2,094,998	\$51,110
Intergovernmental	4,208,176	4,203,901	4,234,400	30,499
Interest	184,502	234,502	245,425	10,923
Tuition and Fees	1,273,599	1,273,599	1,200,279	(73,320)
Rent	2,309	2,309	3,881	1,572
Gifts and Donations	19,473	19,473	10,681	(8,792)
Miscellaneous	67,140	117,140	131,235	14,095
Total Revenues	<u>7,799,087</u>	<u>7,894,812</u>	<u>7,920,899</u>	<u>26,087</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,959,411	2,953,811	2,934,536	19,275
Special	984,800	994,800	997,094	(2,294)
Vocational	164,650	164,650	159,172	5,478
Other	650,432	672,032	679,603	(7,571)
<b>Support Services:</b>				
Pupils	164,374	164,374	157,977	6,397
Instructional Staff	198,438	198,438	202,031	(3,593)
Board of Education	48,482	48,482	33,211	15,271
Administration	790,045	786,045	777,705	8,340
Fiscal	192,796	194,296	188,944	5,352
Operation and Maintenance of Plant	589,272	590,772	575,914	14,858
Pupil Transportation	378,310	396,310	364,956	31,354
Central	6,900	6,900	9,029	(2,129)
Extracurricular Activities	108,450	108,450	102,798	5,652
Total Expenditures	<u>7,236,360</u>	<u>7,279,360</u>	<u>7,182,970</u>	<u>96,390</u>
Excess of Revenues Over (Under) Expenditures	<u>562,727</u>	<u>615,452</u>	<u>737,929</u>	<u>122,477</u>
<b>Other Financing Sources and Uses:</b>				
Advances In	5,150	5,150	5,150	
Refund of Prior Year Expenditures	3,997	3,997	4,120	123
Transfers Out			(4,000)	(4,000)
Advances Out	(1,000)	(1,000)	(750)	250
Refund of Prior Year Receipts	(20,000)	(20,000)	(19,915)	85
Other Financing Uses	(125,000)	(82,000)		82,000
Total Other Financing Sources and Uses	<u>(136,853)</u>	<u>(93,853)</u>	<u>(15,395)</u>	<u>78,458</u>
Net Change in Fund Balances	425,874	521,599	722,534	200,935
Fund Balance (Deficit) at Beginning of Year	4,778,579	4,778,579	4,778,579	
Prior Year Encumbrances Appropriated	77,810	77,810	77,810	
Fund Balance (Deficit) at End of Year	<u>\$5,282,263</u>	<u>\$5,377,988</u>	<u>\$5,578,923</u>	<u>\$200,935</u>

See accompanying notes to the financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006**

	<b>Private Purpose Trust</b>	<b>Agency Fund</b>
<b>Assets</b>		
<b>Current Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$1,535	\$33,543
Total Assets	1,535	33,543
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Due to Students		33,543
Total Liabilities		33,543
<b>Net Assets</b>		
Held in Trust for Students	1,535	
Total Net Assets	\$1,535	\$0

*See accompanying notes to the financial statements.*

LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	\$61
Total Additions	<u>61</u>
Change in Net Assets	61
Net Assets Beginning of Year	<u>1,474</u>
Net Assets End of Year	<u><u>\$1,535</u></u>

*See accompanying notes to the financial statements.*

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**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,563,674
Materials and Supplies Inventory	4,371
Accounts Receivable	339,376
Intergovernmental Receivable	123,913
Prepaid Items	6,606
Taxes Receivable	2,923,598
Deferred Charges	106,433
Non-Depreciable Capital Assets	130,323
Depreciable Capital Assets, net	5,590,314
Total Assets	<u>14,788,608</u>
 <b>Liabilities:</b>	
Accounts Payable	37,620
Accrued Wages and Benefits	582,929
Accrued Interest Payable	16,322
Intergovernmental Payable	159,728
Matured Compensated Absences Payable	43,040
Deferred Revenue	2,615,471
Long-Term Liabilities:	
Due Within One Year	265,000
Due in More Than One Year	5,561,376
Total Liabilities	<u>9,281,486</u>
 <b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	1,062,062
Restricted for Capital Outlay	266,628
Restricted for Other Purposes	260,129
Unrestricted	3,918,303
Total Net Assets	<u><u>\$5,507,122</u></u>

*See accompanying notes to the financial statements.*

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				<b>Governmental Activities</b>
<b>Instruction:</b>				
Regular	\$3,032,049	\$1,189,287	\$29,022	(\$1,813,740)
Special	1,208,215		582,826	(625,389)
Vocational	157,760		17,058	(140,702)
Other	576,783			(576,783)
<b>Support Services:</b>				
Pupils	216,068		58,669	(157,399)
Instructional Staff	239,988		31,113	(208,875)
Board of Education	39,263			(39,263)
Administration	817,697	3,458	7,080	(807,159)
Fiscal	213,058		3,641	(209,417)
Operation and Maintenance of Plant	535,590			(535,590)
Pupil Transportation	355,040		1,095	\$9,891 (344,054)
Central	11,632		6,000	(5,632)
Operation of Non-Instructional Services	301,788	186,119	106,603	(9,066)
Extracurricular Activities	194,863	97,178		(97,685)
Interest and Fiscal Charges	224,910			(224,910)
<b>Totals</b>	<u><u>\$8,124,704</u></u>	<u><u>\$1,476,042</u></u>	<u><u>\$843,107</u></u>	<u><u>\$9,891</u></u> <u><u>(5,795,664)</u></u>

**General Revenues:**

**Taxes:**

Property Taxes, Levied for General Purposes	2,168,843
Property Taxes, Levied for Capital Outlay	139,509
Property Taxes, Levied for Debt Service	401,555
Grants and Entitlements not Restricted to Specific Programs	3,721,943
Gifts and Donations	46,331
Investment Earnings	94,070
Miscellaneous	71,906
<b>Total General Revenues</b>	<u><u>6,644,157</u></u>
Change in Net Assets	848,493
Net Assets Beginning of Year (Res)	<u><u>4,658,629</u></u>
Net Assets End of Year	<u><u>\$5,507,122</u></u>

See accompanying notes to the financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$4,851,637	\$278,600	\$428,693	\$5,558,930
Materials and Supplies Inventory			4,371	4,371
Interfund Receivable	4,400			4,400
Accounts Receivable	337,792		1,584	339,376
Intergovernmental Receivable	995		122,918	123,913
Prepaid Items	6,606			6,606
Taxes Receivable	2,153,944	617,324	152,330	2,923,598
Restricted Cash	4,744			4,744
<b>Total Assets</b>	<u>7,360,118</u>	<u>895,924</u>	<u>709,896</u>	<u>8,965,938</u>
<b>Liabilities</b>				
Accounts Payable	18,319		19,301	37,620
Accrued Wages and Benefits	565,330		17,599	582,929
Interfund Payable			4,400	4,400
Intergovernmental Payable	100,600		6,804	107,404
Matured Compensated Absences Payable	43,040			43,040
Deferred Revenue	1,914,233	574,000	206,922	2,695,155
	<u>2,641,522</u>	<u>574,000</u>	<u>255,026</u>	<u>3,470,548</u>
<b>Fund Balances</b>				
<b>Reserved:</b>				
Reserved for Encumbrances	68,334		137,830	206,164
Reserved for Prepaid Items	6,606			6,606
Reserved for Property Taxes	239,711	43,324	12,233	295,268
Reserved for Textbooks/Instructional Materials	4,744			4,744
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	4,399,201			4,399,201
Special Revenue Funds			178,119	178,119
Debt Service Funds		278,600		278,600
Capital Projects Funds			126,688	126,688
<b>Total Fund Balances</b>	<u>4,718,596</u>	<u>321,924</u>	<u>454,870</u>	<u>5,495,390</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$7,360,118</u>	<u>\$895,924</u>	<u>\$709,896</u>	<u>\$8,965,938</u>

See accompanying notes to the financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005**

Total Governmental Fund Balances		\$5,495,390
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		5,720,637
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$12,859	
Intergovernmental	66,825	
		79,684
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(52,324)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest Payable	(16,322)	
General Obligation Bonds Payable	(5,414,838)	
Compensated Absences Payable	(305,105)	
		(5,736,265)
Net Assets of Governmental Activities		\$5,507,122

*See accompanying notes to the basic financial statements.*

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR END JUNE 30, 2005**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property and Other Local Taxes	\$2,169,054	\$401,652	\$139,539	\$2,710,245
Intergovernmental	3,983,009	45,828	508,781	4,537,618
Interest	94,062		8	94,070
Tuition and Fees	1,164,000		38,513	1,202,513
Rent	2,953			2,953
Extracurricular Activities			97,178	97,178
Gifts and Donations	19,473		26,858	46,331
Customer Sales and Services			173,398	173,398
Miscellaneous	16,075	9,754	46,077	71,906
Total Revenues	<u>7,448,626</u>	<u>457,234</u>	<u>1,030,352</u>	<u>8,936,212</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular	2,806,749		48,781	2,855,530
Special	944,098		247,139	1,191,237
Vocational	156,816			156,816
Other	576,783			576,783
<b>Support Services:</b>				
Pupils	158,918		54,286	213,204
Instructional Staff	197,138		35,861	232,999
Board of Education	39,263			39,263
Administration	756,417		46,685	803,102
Fiscal	195,091	10,063	7,103	212,257
Operation and Maintenance of Plant	493,050			493,050
Pupil Transportation	293,741		494	294,235
Central	5,520		6,000	11,520
Operation of Non-Instructional Services	48		288,289	288,337
Extracurricular Activities	115,648		133,956	249,604
Capital Outlay	125,715		132,565	258,280
<b>Debt Service:</b>				
Issuance Costs		108,421		108,421
Principal		125,000		125,000
Interest		193,965		193,965
Total Expenditures	<u>6,864,995</u>	<u>437,449</u>	<u>1,001,159</u>	<u>8,303,603</u>
Excess of Revenues Over (Under) Expenditures	<u>583,631</u>	<u>19,785</u>	<u>29,193</u>	<u>632,609</u>
<b>Other Financing Sources (Uses)</b>				
Payment to Refunded Bond Escrow Agent		(5,956,580)		(5,956,580)
Refunding Bonds Issued		5,311,173		5,311,173
Premium on Refunding Bonds Issued		753,828		753,828
<b>Total Other Financing Sources (Uses)</b>		<u>108,421</u>		<u>108,421</u>
Net Change in Fund Balances	583,631	128,206	29,193	741,030
Fund Balance (Deficit) at Beginning of Year (Restated)	4,134,965	193,718	425,677	4,754,360
Fund Balance (Deficit) at End of Year	<u>\$4,718,596</u>	<u>\$321,924</u>	<u>\$454,870</u>	<u>\$5,495,390</u>

See accompanying notes to the financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Net Change in Fund Balances - Total Governmental Funds \$741,030

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

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

Capital Outlay - Depreciable Capital Assets	\$368,076	
Depreciation	<u>(364,492)</u>	
		3,584

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

Intergovernmental	37,323	
Delinquent Property Taxes	<u>(338)</u>	
		36,985

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities. 125,000

Interest charges reported on the statement of activities, that do not require the use of current financial resources, are not reported as expenditures in governmental funds. (30,945)

Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in current financial resources, therefore, are not reported as expenditures in governmental funds: (27,161)

Change in Net Assets of Governmental Activities	<u><u>\$848,493</u></u>
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*See accompanying notes to the basic financial statements.*

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
<b>Revenues:</b>				
Property and Other Local Taxes	\$2,017,610	\$2,017,610	\$2,085,366	\$67,756
Intergovernmental	4,054,400	4,054,891	4,110,576	55,685
Interest	60,000	96,000	103,502	7,502
Tuition and Fees	1,025,500	1,027,500	967,400	(60,100)
Rent	3,000	3,000	2,309	(691)
Gifts and Donations	20,000	20,000	19,473	(527)
Miscellaneous	30,000	30,000	12,444	(17,556)
Total Revenues	<u>7,210,510</u>	<u>7,249,001</u>	<u>7,301,070</u>	<u>52,069</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,841,613	2,841,613	2,804,839	36,774
Special	964,875	964,875	947,875	17,000
Vocational	160,550	160,550	156,134	4,416
Other	584,000	584,000	577,215	6,785
<b>Support Services:</b>				
Pupils	162,660	162,660	159,229	3,431
Instructional Staff	200,970	200,970	198,346	2,624
Board of Education	52,927	52,927	43,505	9,422
Administration	765,143	764,343	759,395	4,948
Fiscal	205,564	205,564	195,846	9,718
Operation and Maintenance of Plant	523,304	523,304	518,064	5,240
Pupil Transportation	346,483	347,786	338,150	9,636
Central	7,036	7,036	5,461	1,575
Extracurricular Activities	130,300	130,300	114,320	15,980
Capital Outlay	141,956	140,653	126,390	14,263
Total Expenditures	<u>7,087,381</u>	<u>7,086,581</u>	<u>6,944,769</u>	<u>141,812</u>
Excess of Revenues Over (Under) Expenditures	<u>123,129</u>	<u>162,420</u>	<u>356,301</u>	<u>193,881</u>
<b>Other Financing Sources and Uses:</b>				
Refund of Prior Year Expenditures	5,000	5,000	3,997	(1,003)
Advances Out			(4,400)	(4,400)
Other Financing Uses	(125,000)	(125,000)	(45)	124,955
Total Other Financing Sources and Uses	<u>(120,000)</u>	<u>(120,000)</u>	<u>(448)</u>	<u>119,552</u>
Net Change in Fund Balances	3,129	42,420	355,853	313,433
Fund Balance (Deficit) at Beginning of Year	4,271,120	4,271,120	4,271,120	
Prior Year Encumbrances Appropriated	151,606	151,606	151,606	
Fund Balance (Deficit) at End of Year	<u>\$4,425,855</u>	<u>\$4,465,146</u>	<u>\$4,778,579</u>	<u>\$313,433</u>

See accompanying notes to the financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005**

	<b>Private Purpose Trust</b>	<b>Agency Fund</b>
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$1,474	\$39,502
Total Assets	1,474	39,502
<b>Liabilities</b>		
Current Liabilities:		
Due to Students		39,502
Total Liabilities		39,502
<b>Net Assets</b>		
Held in Trust for Students	1,474	
Total Net Assets	\$1,474	\$0

*See accompanying notes to the financial statements.*

LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	\$29
Total Additions	<u>29</u>
Change in Net Assets	29
Net Assets Beginning of Year (Restated)	<u>1,445</u>
Net Assets End of Year	<u>\$1,474</u>

*See accompanying notes to the financial statements.*

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**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

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

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

The School District is the 507th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 37 classified employees and 74 certified teaching personnel, who provide services to 941 students and other community members. The board oversees the operations of the School District's instructional/support facility.

**A. The Reporting Entity**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Lincolnview Local School District.

The School District participates in five jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Vantage Career Center, the Western Buckeye Educational Service Center Van Wert County Local Professional Development Committee, the Northwest Ohio Special Education Regional Resource Center, the Northwestern Ohio Educational Research Council, Inc., the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Van Wert Area Schools Insurance Group. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

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

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

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

These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

**2. Fund Financial Statements**

During the 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 rather than reporting funds by type. 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 fund type.

**B. Fund Accounting**

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

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

**1. Governmental Funds**

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. In fiscal year 2005, the School District major funds were the General Fund and Bond Retirement fund. The School District had the following four major governmental funds in 2006.

**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 is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Bond Retirement Fund** - The Bond Retirement Fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

**Building Improvement Fund** – The Building Improvement Fund is used to account for the revenues and expenditures related to the improvements of school buildings.

**Classroom Facilities Fund** - The Classroom Facilities Fund is used to account for the revenues and expenditures related to the construction of new school buildings.

The other governmental funds of the School District account for grants, other resources and capital projects of the School District whose uses are restricted to a particular purpose.

**2. Fiduciary Funds**

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

**C. Measurement Focus**

**1. Government-Wide Financial Statements**

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

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

**2. Fund Financial Statements**

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

The private purpose trust fund is reported using a flow of economic resources measurement focus.

**D. Basis of Accounting**

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

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

**2. Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006 and 2005, but which were levied to finance operations for fiscal year 2007 and 2006 respectively, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**3. Expenditures/Expenses**

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgetary Process**

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

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

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

**F. Cash and Investments**

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

During fiscal year 2006 and 2005, investments included nonnegotiable certificates of deposit, repurchase agreements, federal agency securities, and STAR Ohio. Nonnegotiable certificates of deposit and repurchase agreements are reported at cost. Federal agency securities are reported at fair value, which is based on current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006 and June 30, 2005.

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 2006 was \$245,425, which includes \$40,491 assigned from other School District funds. Interest revenue credited to the General Fund during fiscal year 2005 was \$94,062, which includes \$12,537 assigned from other School District funds.

For presentation on the financial statements, investments of the 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 considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**G. Inventory**

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

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, purchased food, and school supplies held for resale and are expensed when used. The cost of inventory items is recorded as an expenditure when purchased.

**H. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation.

**I. Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District's capitalization threshold is one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction of capital assets is also not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	30 years
Buildings and Building Improvements	30 years
Furniture, Fixtures, and Equipment	5 – 12 years
Vehicles	10 years

**J. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

**K. Interfund Transactions**

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

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

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probably that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

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

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources, and are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**N. Unamortized Bond Amounts**

Unamortized bond amount for general obligation bonds are shown on the government-wide statement of net assets and include bond premiums, discounts, as well as issuance costs and deferred amounts from advance refundings of debt. Unamortized bond amounts are amortized as a component of interest expense, using the straight-line method, over the life of the applicable debt. Additional, detailed information regarding unamortized bond amounts is provided in Note 16.

**O. Unamortized Premium**

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

On the governmental fund financial statements, bond premiums are recognized as other financing sources in the current period.

**P. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. As of June 30, 2006 and 2005, there were no net assets restricted by enabling legislation.

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

**Q. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

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

**R. Prepaid Items**

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

**S. Estimates**

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

**T. 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 School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006 or 2005.

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

**A. Change in Accounting Principles**

For fiscal year 2005, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements" and "GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Post-employment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type. On the government-wide financial statements, the beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2005, caused by the conversion to the full accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES  
(Continued)**

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the School District uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the General Fund and each major special revenue fund.

For fiscal year 2006, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries". GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Technical Bulletin 2004-2 clarifies the application of accounting for employers' contractually required contributions to cost-sharing multiple employer pension and other post-employment benefit (OPEB) plans.

**B. Restatement of Fund Balance**

The restatement due to the implementation of the above statements and interpretation had the following effect on fund structure and fund balances of the funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of governmental activities is also presented.

<b>Fund</b>	<b>Fund Balances at June 30, 2004</b>		<b>Bond Retirement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>	<b>Private Purpose Trust Funds</b>
General	\$4,422,724	\$4,422,724				
Special Revenue	84,219			\$84,219		
Debt Service	163,204		\$163,204			
Capital Projects	215,394			215,394		
Expendable Trust	1,173			1,173		
Enterprise Fund	100,450			100,450		
Non-Expendable Trust	1,445					\$1,445
<b>Adjusted Cash Fund Balances at June 30, 2004</b>		<u>\$4,422,724</u>	<u>163,204</u>	<u>401,236</u>	<u>\$4,987,164</u>	<u>1,445</u>
Revenue Accruals		2,314,817	378,285	204,710	2,897,812	0
Expenditure Accruals		(2,602,576)	(347,771)	(180,269)	(3,130,616)	0
<b>Adjusted Fund Balance at June 30, 2004</b>		<u>4,134,965</u>	<u>193,718</u>	<u>425,677</u>	<u>4,754,360</u>	<u>1,445</u>
Long-Term Assets:						
Property Taxes Receivable					13,197	
Intergovernmental Receivable					29,502	
Capital Assets					5,717,053	
Long Term Liabilities:						
Intergovernmental Payable					(48,525)	
Bonds Payable					(5,525,215)	
Compensated Absences Payable					(281,743)	
<b>Governmental Activities Net Assets at June 30, 2004</b>					<u>\$4,658,629</u>	

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

**4. ACCOUNTABILITY AND COMPLIANCE**

At June 30, 2006, the Title VI-B special revenue fund had a deficit balance of \$7,222 and the Schoolnet capital projects fund had a deficit balance of \$11,136 and at June 30, 2005, the Improving Teacher Quality special revenue fund had a deficit balance of \$165, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**5. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 fund financial statements are the following:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

<b>June 30, 2006</b>	
<b>Net Change in Fund Balance</b>	
<b>Major Governmental Fund</b>	
GAAP Basis	\$644,590
<b>Increase (Decrease) Due To:</b>	
Revenue Accruals	91,213
Expenditure Accruals	21,054
Advances Net	4,400
Encumbrances Outstanding at Year End (Budget Basis)	(38,723)
Budget Basis	\$722,534

<b>June 30, 2005</b>	
<b>Net Change in Fund Balance</b>	
<b>Major Governmental Fund</b>	
	<b>General</b>
GAAP Basis	\$583,631
<b>Increase (Decrease) Due To:</b>	
Revenue Accruals	(143,567)
Expenditure Accruals	(2,009)
Advances Net	(4,400)
Encumbrances Outstanding at Year End (Budget Basis)	(77,802)
Budget Basis	\$355,853

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**6. DEPOSITS AND INVESTMENTS**

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio 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) 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 (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.
9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

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. Payments for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**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 June 30, 2006, \$6,410,453 of the School District's bank balance of \$6,628,644 was exposed to custodial credit risk because it was uninsured and uncollateralized. At June 30, 2005, \$3,804,708 of the School District's bank balance of \$4,004,708 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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, 2006, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-2 Years</u>	<u>2-3 Years</u>
Federal Home Loan Bank Notes	\$3,289,928	\$299,532	\$1,022,923	\$1,967,473
Federal Home Loan Mortgage Corporation Notes	2,078,826	196,114	746,303	1,136,409
Federal National Mortgage Association Notes	1,901,969	0	1,506,093	395,876
Repurchase Agreement	37,732	37,732		
STAR Ohio	754,888	754,888		
Total Investments	<u>\$8,063,343</u>	<u>\$1,288,266</u>	<u>\$3,275,319</u>	<u>\$3,499,758</u>

As of June 30, 2005, the School District had the following investments.

	<u>Fair Value</u>	<u>Less than 1 Year</u>
STAR Ohio	<u>\$1,664,952</u>	<u>\$1,664,952</u>
	<u>\$1,664,952</u>	<u>\$1,664,952</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

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

**Interest Rate Risk** - The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

**Credit Risk** - The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Bank Notes carry a rating of AAA by Moody's and AAA by Standard and Poor's. The security underlying the repurchase agreement (Ginnie Mae 30 Year Fixed) carries a rating of Aaa by Moody's. STAR Ohio carries a rating of AAA, by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services. The School District has no investment policy that would further limit its investment choices.

**Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the 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 Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial 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.

**Concentration of Credit Risk** - The School District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time.

The following table indicates the percentage of each investment to the School District's total portfolio as of June 30, 2006.

	<b>Fair Value</b>	<b>Percentage of Portfolio</b>
Federal Home Loan Bank Notes	\$3,289,928	40.80%
Federal Home Loan Mortgage Corporation Notes	2,078,826	25.78%
Federal National Mortgage Association Notes	1,901,969	23.59%
Repurchase Agreement	37,732	.47%
STAR Ohio	754,888	9.36%
Total Investments	<u>\$8,063,343</u>	<u>100%</u>

**7. PROPERTY TAXES**

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

**7. PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2006 and 2005 represent the collection of calendar year 2005 and 2004 taxes, respectively. Real property taxes for 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Real property taxes for 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2006 were levied after April 1, 2005, on the assessed values as of December 31, 2004, the lien date. Public utility real and tangible personal property taxes for 2005 were levied after April 1, 2004, on the assessed values as of December 31, 2003, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2006 and 2005 (other than public utility property) represent the collection of calendar year 2006 and 2005 taxes respectively. Tangible personal property taxes for 2006 were levied after April 1, 2005, on the value as of December 31, 2005. Tangible personal property taxes for 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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, 2006 and 2005, are available to finance fiscal year 2006 and 2005 operations respectively. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2006 and 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2006 or 2005 operations respectively. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2006, was \$192,199 in the General Fund, \$77,589 in the Bond Retirement debt service Fund, \$3,064 Classroom Facilities Maintenance special revenue fund and \$13,082 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2005, was \$239,711 in the General Fund, \$43,324 in the Bond Retirement debt service fund, and \$12,233 in the Permanent Improvement capital projects fund.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**7. PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<b>2005 Second- Half Collections</b>		<b>2006 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$62,638,420	87%	\$62,074,700	87%
Industrial/Commercial	1,700,200	2%	1,880,470	3%
Public Utility	3,935,540	6%	3,721,930	5%
Tangible Personal	3,795,092	5%	3,511,793	5%
Total Assessed Value	<u>\$72,069,252</u>	<u>100%</u>	<u>\$71,188,893</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$54.90		\$62.05	

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<b>2004 Second- Half Collections</b>		<b>2005 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$61,172,970	87%	\$62,638,420	87%
Industrial/Commercial	1,558,310	2%	1,700,200	2%
Public Utility	3,831,630	5%	3,935,540	6%
Tangible Personal	3,937,600	6%	3,795,092	5%
Total Assessed Value	<u>\$70,500,510</u>	<u>100%</u>	<u>\$72,069,252</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$54.90		\$54.90	

**8. RECEIVABLES**

Receivables at June 30, 2006, consisted of property tax, accounts (rent and student fees), and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
Governmental Activities	
Title VI-B	\$16,312
Title I	99,725
Total Intergovernmental Receivables	<u>\$116,037</u>

Receivables at June 30, 2005, consisted of property tax, accounts (rent and student fees), and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
<b>Governmental Activities</b>	
General	995
Food Service	8,090
Title VI-B	\$15,595
Title IV-A	558
Title I	96,165
Summer Intervention	2,510
Total Intergovernmental Receivables	<u>\$123,913</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**9. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>
<b>Governmental Activities</b>				
<b>Non-depreciable Capital Assets</b>				
Land	\$130,323			\$130,323
Construction in Progress				
Total Non-depreciable Capital Assets	<u>130,323</u>			<u>130,323</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	681,306	\$44,780		726,086
Buildings and Building Improvements	6,501,614			6,501,614
Furniture, Fixtures, and Equipment	1,117,187	323,296	\$44,126	1,396,357
Vehicles	859,366			859,366
Total Depreciable Capital Assets	<u>9,159,473</u>	<u>368,076</u>	<u>44,126</u>	<u>9,483,423</u>
<b>Less Accumulated Depreciation</b>				
Land Improvements	424,046	38,737		462,783
Buildings and Building Improvements	1,832,307	188,213		2,020,520
Furniture, Fixtures, and Equipment	756,916	82,746	44,126	795,536
Vehicles	559,474	54,796		614,270
Total Accumulated Depreciation	<u>3,572,743</u>	<u>364,492</u>	<u>44,126</u>	<u>3,893,109</u>
Depreciable Capital Assets, Net	<u>5,586,730</u>	<u>3,584</u>	<u>0</u>	<u>5,590,314</u>
Governmental Activities Capital Assets, Net	<u>\$5,717,053</u>	<u>\$3,584</u>	<u>\$0</u>	<u>\$5,720,637</u>

2005 Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$162,448
Special	15,418
Vocational	452
Pupils	3,426
<b>Support Services:</b>	
Instructional Staff	7,277
Administration	10,013
Fiscal	125
Operation and Maintenance of Plant	43,232
Pupil Transportation	58,387
Operations of Non-Instruction	21,392
Extracurricular	36,764
Capital Outlay	5,558
Total Depreciation Expense	<u>\$364,492</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

**9. CAPITAL ASSETS (Continued)**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/06</u>
<b>Governmental Activities</b>				
<b>Non-depreciable Capital Assets</b>				
Land	\$130,323			\$130,323
Construction in Progress		374,555		374,555
Total Non-depreciable Capital Assets	<u>130,323</u>	<u>374,555</u>		<u>504,878</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	726,086			726,086
Buildings and Building Improvements	6,501,614	\$140,000	\$140,236	6,501,378
Furniture, Fixtures, and Equipment	1,396,357	31,767	68,153	1,359,971
Vehicles	859,366	139,010	155,417	842,959
Total Depreciable Capital Assets	<u>9,483,423</u>	<u>310,777</u>	<u>363,806</u>	<u>9,430,394</u>
Less Accumulated Depreciation				
Land Improvements	462,783	39,941		502,724
Buildings and Building Improvements	2,020,520	185,875	64,937	2,141,458
Furniture, Fixtures, and Equipment	795,536	86,167	68,153	813,550
Vehicles	614,270	59,439	147,455	526,254
Total Accumulated Depreciation	<u>3,893,109</u>	<u>371,422</u>	<u>280,545</u>	<u>3,983,986</u>
Depreciable Capital Assets, Net	<u>5,590,314</u>	<u>(60,645)</u>	<u>83,261</u>	<u>5,446,408</u>
Governmental Activities Capital Assets, Net	<u>\$5,720,637</u>	<u>\$313,910</u>	<u>\$83,261</u>	<u>\$5,951,286</u>

2006 Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$161,456
Special	15,418
Vocational	452
Pupils	3,426
<b>Support Services:</b>	
Instructional Staff	6,669
Administration	9,967
Fiscal	125
Operation and Maintenance of Plant	43,293
Pupil Transportation	60,692
Operations of Non-Instruction	12,989
Extracurricular	50,265
Capital Outlay	6,670
Total Depreciation Expense	<u>\$371,422</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. 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 2006 and 2005, the School District contracted for the following insurance coverage:

**Coverage provided by Phelan Insurance Agency:**

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

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

For fiscal year 2006 and 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the

GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

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.

**11. CONTRACTUAL COMMITMENTS**

At June 30, 2006, the School District had the following contractual commitments:

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid to Date</u>	<u>Remaining Balance</u>
Garmann/Miller and Associates	New HS/MS Facility	\$1,107,313	\$374,555	\$732,758

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
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**12. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently selected the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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

For the fiscal years ended June 30, 2006 and 2005, 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 in fiscal year 2006 and 2005. 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 employers.

The School District's required contributions for pension obligations for the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$468,119, \$451,719 and \$427,667, respectively; all required contributions have been made for fiscal year 2004 and 2005 and 83 percent has been contributed for fiscal year 2006. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were \$12 made by the School District and \$3,311 made by plan members. Contributions for the DCP and CP for the fiscal year ended June 30, 2005, were \$3,741 made by the School District and \$7,035 made by plan members.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

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

**B. School Employees Retirement System**

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

For the fiscal years ended June 30, 2006 and 2005, plan members are required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 10.58 percent was the portion to fund pension obligations for fiscal year 2006 and 10.57 percent was the portion to fund pension obligations for fiscal year 2005. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$82,281, \$82,124, and \$68,084 respectively; all required contributions have been made for fiscal year 2004 and 2005 and 49 percent has been contributed for fiscal year 2006.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2006, five of the Board members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**13. POSTEMPLOYMENT BENEFITS**

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2006 and 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$36,010 for fiscal year 2006 and \$35,035 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 eligible benefit recipients.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. For the School District, the amount to fund health care benefits, including the surcharge, was \$38,269 for fiscal year 2006 and \$42,082 for fiscal year 2005.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006, were \$158,751,207. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will not be sufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 59,492 participants currently receiving health care benefits.

**14. 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 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred ninety days for eligible personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of thirty days. Certified staff only will receive 3.33% of all days in excess of 120 days to a maximum of \$1,000 for the second tier calculation.

**B. Health Care Benefits**

The District provides medical, dental, vision, and life insurance to all employees through the Van Wert County Schools Health Benefit Fund and Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies depending on the terms of the union contract.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

**15. SHORT-TERM OBLIGATIONS**

Changes in the School District's short-term obligations during fiscal year 2006 were as follows:

		<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/06</u>
<b>Governmental Activities:</b>					
FY 2006 Classroom Facilities					
Improvement Bond Anticipation Note	4.07%	\$0	\$5,000,000	\$5,000,000	\$0
<b>Total</b>		<u>\$0</u>	<u>\$5,000,000</u>	<u>\$5,000,000</u>	<u>\$0</u>

On January 18, 2006, the School District issued a Classroom Facilities Improvement Bond Anticipation Note in the amount of \$5,000,000. The notes were issued for a four month term, maturing on May 16, 2006.

**16. LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2005 were as follows:

		<u>Balance At 6/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance At 6/30/05</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>						
General Obligation Bonds:						
1997 School Improvement Bonds						
Serial Bonds	4.10 -5.10%	\$1,115,000		\$1,115,000		
Term Bonds	5.50%	4,260,000		4,260,000		
Capital Appreciation Bonds	13.60%	150,215		150,215		
2005 School Improvement Refunding Bonds						
Serial Bonds	3.00-4.75%		\$5,000,000		\$5,000,000	\$265,000
Capital Appreciation Bonds	15.74%		311,173		311,173	
Accretion on Capital Appreciation Bonds			16,255		16,255	
Net Premium/Loss			197,463	3,620	193,843	
<b>Total General Obligation Bonds</b>		<u>5,525,215</u>	<u>5,524,891</u>	<u>5,525,835</u>	<u>5,521,271</u>	<u>265,000</u>
Compensated Absences Payable		281,743	23,362		305,105	
<b>Total</b>		<u>\$5,806,958</u>	<u>\$5,548,253</u>	<u>\$5,528,835</u>	<u>\$5,826,376</u>	<u>\$265,000</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

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

Changes in the School District's long-term obligations during fiscal year 2006 were as follows:

		<u>Balance</u> <u>At 6/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>At 6/30/06</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>Governmental Activities:</b>						
General Obligation Bonds:						
2005 School Improvement Refunding Bonds						
Serial Bonds	3.00-4.75%	\$5,000,000		\$265,000	\$4,735,000	\$230,000
Capital Appreciation Bonds	15.74%	311,173			311,173	
Accretion on Capital Appreciation Bonds		16,255	\$53,580		69,835	
Net Premium/Loss		193,843		10,970	182,873	
2006 Building Improvement Term Bonds						
	4.58%		2,832,558		2,832,558	42,558
2006 Classroom Facilities Term Bonds						
	4.63%		5,038,976		5,038,976	43,976
Total General Obligation Bonds		<u>5,521,271</u>	<u>7,925,114</u>	<u>275,970</u>	<u>13,170,415</u>	<u>316,534</u>
Compensated Absences Payable		305,105	24,292		329,397	
Total		<u>\$5,826,376</u>	<u>\$7,949,406</u>	<u>\$275,970</u>	<u>\$13,499,812</u>	<u>\$316,534</u>

**General Obligation Bonds** - On August 27, 1997, the School District issued \$5,936,180 in school improvement bonds for the purpose of constructing a K - 6 elementary building for the School District, under the authority of the Ohio Revised Code Section 3317.22. The bond issue included serial, term and capital appreciation bonds in the amount of \$1,615,000, \$4,260,000, and \$61,180, respectively. The bonds were issued with a final maturity of December 1, 2025. The capital appreciation bonds will mature in fiscal years 2011 and 2012. The maturity amount of the bonds is \$210,000 and \$215,000, respectively. These bonds were refunded in 2005.

On March 1, 2005, the School District issued general obligation school improvement refunding bonds in the debt service fund, consisting of \$5,000,000 in serial bonds, with interest rates from 3 percent to 4.75 percent and capital appreciation bonds of \$311,173, with an interest rate of 15.774 percent. The 1997 School Improvement bonds in the amount of \$5,400,215 were refunded and fully funded through the purchase of U.S. Treasury obligations having amounts and maturities to generate a cash flow sufficient to meet the principal and interest payments due over the life of the remaining bonds. The investments and the uninvested cash are being held in an irrevocable trust. As of June 30, 2005 and 2006, the amount of refunded debt outstanding, but removed from the governmental activities financial statements amounted to \$5,400,215 and \$5,265,215 respectively. Accordingly, the trust account and the extinguished debt are not included on the financial statements.

Although the refunding will result in the recognition of an accounting loss of \$556,365 for the year ended June 30, 2005, the School District in effect lowered its aggregated debt service payments by \$517,457 over the next twenty years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$240,278.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

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

**2006 Building Improvement General Obligation Bonds** - On December 28, 2005, the School District issued \$2,832,558 in private placement bonds for the purpose of improvements to buildings for in the School District. The bond issue includes term bonds in the amount of \$2,832,558 at an interest rate of 4.58 percent. The bonds were issued with a final maturity of December 1, 2033. The bonds will be retired from the Bond Retirement Debt Service Fund.

**2006 Facilities Construction General Obligation Bonds** - On February 22, 2006, the School District issued \$5,038,976 in private placement bonds for the purpose of constructing a new building for the School District, under the authority of the Ohio Revised Code Section 3317.22. The bond issue includes term bonds in the amount of \$5,038,976 at an interest rate of 4.63 percent. The bonds were issued with a final maturity of December 1, 2033. The bonds will be retired from the Bond Retirement Debt Service Fund.

Compensated absences will be retired from the fund in which the employee's salary is paid.

The scheduled payments of principal and interest on debt outstanding at June 30, 2006 are as follows:

<b>General Obligation Bonds</b>					
<b>Fiscal Year Ending</b>	<b>Capital</b>				
<b>June 30</b>	<b>Term</b>	<b>Serial</b>	<b>Appreciation</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 86,534	\$ 230,000		\$ 548,224	\$ 864,758
2008	85,000	245,000		537,147	867,147
2009	90,000	255,000		525,610	870,610
2010	90,000	265,000		513,658	868,658
2011	105,000	275,000		501,060	881,060
2012-2016	750,000	290,000	\$311,173	3,280,545	4,631,718
2017-2021	1,175,000	1,815,000		1,932,151	4,922,151
2022-2026	1,700,000	1,360,000		1,170,326	4,230,326
2027-2031	2,215,000			629,386	2,844,386
2032-2033	1,575,000			108,472	1,683,472
Total	<u>\$7,871,534</u>	<u>\$4,735,000</u>	<u>\$311,173</u>	<u>\$9,746,579</u>	<u>\$22,664,286</u>

The School District's overall debt margin was (\$6,510,705) with an unvoted debt margin of \$71,189 at June 30, 2006. The School District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

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

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

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

**C. Vantage Career Center**

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

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

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

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

**18. INSURANCE POOLS**

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

The School District participates in a group rating plan for workers' 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 School Insurance Group (VWASIG)**

The Van Wert Area School Insurance Group (VWASIG) is a public entity shared risk pool consisting of five members. VWASIG is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each member appoints a representative to the Board of Trustees. The Board of Trustees is the legislative and managerial body of VWASIG. Financial information can be obtained from the Van Wert City School District, who serves as fiscal agent, 641 North Jefferson Street, Van Wert, Ohio 45891.

**19. SET-ASIDE CALCULATIONS AND FUND 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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by State statute.

<b>2006</b>	<b>Textbooks</b>	<b>Capital Acquisition</b>
Set-aside Cash Balance as of June 30, 2005	\$4,744	
Current Year Set-aside Requirement	124,056	\$124,056
Permanent Improvement Levy Proceeds Offset		(124,056)
Bond Proceeds Offset		(7,871,534)
Qualifying Disbursements	(163,503)	
Set-aside Cash Balance as of June 30, 2006	<u>(34,703)</u>	<u>(\$7,871,534)</u>
Set-aside Amounts Carried Forward to Fiscal Year 2007	<u>(\$34,703)</u>	<u>(\$7,871,534)</u>
<b>2005</b>	<b>Textbooks</b>	<b>Capital Acquisition</b>
Set-aside Cash Balance as of June 30, 2004	(\$25,692)	
Current Year Set-aside Requirement	122,871	\$122,871
Permanent Improvement Levy Proceeds Offset		(122,871)
Qualifying Disbursements	(92,435)	
Set-aside Cash Balance as of June 30, 2005	<u>4,744</u>	<u>\$0</u>
Set-aside Amounts Carried Forward to Fiscal Year 2006	<u>\$4,744</u>	<u>\$0</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

**19. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)**

The School District had qualifying disbursements during fiscal year 2006 that reduced the textbook set-aside amount to below zero. This amount may be used to reduce the set-aside requirements for future years. The School District had qualifying bond proceeds during fiscal year 2006 that reduced the capital acquisitions set-aside amount below zero. This amount may be used to reduce the set-aside requirements of future years.

**20. ENDOWMENTS**

The School District's private purpose trust fund included a donor restricted endowment. Endowment, in the amount of \$1,000, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District was \$535 for 2006 and \$474 for 2005 and is included as held in trust for students. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to for the special education program.

**21. INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 2005 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General	Other governmental funds	\$4,400
		\$4,400

There were no interfund balances at June 30, 2006.

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

B. Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

<b>Transfers from General fund to:</b>	
Other Governmental Funds	\$4,000
	\$4,000

There were no transfers in 2005.

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005  
(Continued)**

**22. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006 and 2005.

**B. Litigation**

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

**23. SERVICE CONTRACT COMMITMENTS**

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

**24. SUBSEQUENT EVENTS**

On January 9, 2007, the School District entered into the following contracts for the Ohio Facilities Commission construction and renovation project:

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>
LoopMaster International ACI Construction Co. Inc.	Geothermal Wells	\$640,400
Shambaugh & Son L.P.	General Trades	9,555,000
Smith-Boughan, Inc	Fire Protection	467,760
Frost & Company	Plumbing	951,200
Koester Electric, Inc	HVAC /Temperature Controls	2,473,722
	Electrical /Technology Cabling	1,849,000

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# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincolnview Local School District, Van Wert County, (the School District), as of and for the years ended June 30, 2006 and 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 16, 2007, wherein we noted the School District adopted Governmental Accounting Standards Board Statement No. 34 for the year ended June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated May 16, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the School District's management dated May 16, 2007, we reported other matters related to noncompliance we deemed immaterial.

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Lincolnview Local School District  
Van Wert County  
Independent Accountants' Report on Internal Control Over Financial Reporting and  
On Compliance and Other Matters Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Mary Taylor". The script is cursive and fluid.

**Mary Taylor, CPA**  
Auditor of State

May 16, 2007



**Mary Taylor, CPA**  
Auditor of State

LINCOLNVIEW LOCAL SCHOOL DISTRICT  
VAN WERT COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JUNE 26, 2007