



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Wert City School District, Van Wert County, (the School District), as of and for the year ended June 30, 2007, which collectively comprise the 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 Van Wert City School District, Van Wert County, as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2008, 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.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 21, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of Van Wert City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2007 are as follows:

- In total, net assets increased \$5,921,830, or 36 percent. A significant portion of this increase is the result of donations to the School District in excess of \$4 million for the new Niswonger Performing Arts Center.
- General revenues were \$20,490,011 for fiscal year 2007, or 72 percent of all revenues, and reflect the School District's significant dependence on property taxes, income taxes, and unrestricted state entitlements.
- In November 2001, the voters of the School District approved a 7.2 mill school construction bond issue for the construction of a new middle school/high school complex with a performing arts center. This is an expedited Ohio School Facilities Commission project. The construction of the middle school/high school complex is complete and students and staff moved into the new facility in November 2006. The performing arts section of the building is substantially complete and occupancy was granted in March 2007.
- The School District's five-year forecast, approved by the Board of Education at the October 18, 2006, meeting, illustrates that estimated operating revenues are expected to exceed estimated operating expenses through fiscal year 2007. It is estimated that operating expenses will exceed operating revenues in fiscal years 2008, 2009, 2010, and 2011. Voters of the School District approved a 1 percent five-year income tax levy that began in January 2004. This levy is expected to generate approximately \$2,200,000 in operating revenues annually. Calendar year 2008 is the last year of collection of this tax. It will be necessary to seek renewal of the income tax during calendar year 2008 so there is no interruption in collection. All property tax levies for operating funds are continuing levies; however, State legislation provides for the phase out of tangible personal property tax.
- The tangible personal property tax currently provides approximately 25 percent of the local tax revenue for the School District. Temporary reimbursement from the State of the loss of funds is scheduled to continue through fiscal year 2010 and then the reimbursement will be phased out. The phase out of the reimbursement is to be completed in fiscal year 2018 with the eventual net loss to the School District estimated to be in excess of \$1,500,000. A lack of significant increases in State foundation funding has also negatively affected our balances. The Administration, with the approval of the Board of Education, implemented a cost reduction plan which reduced operating expenses by \$700,000 over the two-year period that ended June 30, 2005. The Administration will continue to make every effort to reduce costs while maintaining an exceptional educational program.
- The School District has advance refunded two bond issues to reduce the overall cost of the construction borrowing. The first refunding, in November 2006, will result in a savings of approximately \$907,000 over the term of the debt. The second refunding, in December 2006, will result in a savings of approximately \$409,000 over the term of the debt.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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 Van Wert City 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 nonmajor funds presented in total in a single column. For Van Wert City School District, the General Fund, the Bond Retirement debt service, and the Permanent Improvement and Construction capital projects funds are the most significant funds.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement and Construction capital projects funds.

Governmental Funds - All 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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 2007 and fiscal year 2006:

Table 1			
Net Assets			
	Governmental Activities		
	2007	2006	Change
Assets:			
Current and Other Assets	\$17,109,528	\$19,712,883	(\$2,603,355)
Capital Assets, Net	44,770,020	36,712,999	8,057,021
Total Assets	61,879,548	56,425,882	5,453,666
Liabilities:			
Current and Other Liabilities	10,549,927	12,119,894	1,569,967
Long-Term Liabilities	29,099,335	27,997,532	(1,101,803)
Total Liabilities	39,649,262	40,117,426	468,164
Net Assets:			
Invested in Capital Assets, Net of Related Debt	19,264,955	13,169,282	6,095,673
Restricted	1,142,226	2,604,455	(1,462,229)
Unrestricted	1,823,105	534,719	1,288,386
Total Net Assets	\$22,230,286	\$16,308,456	\$5,921,830

The above table reflects a number of significant changes from the prior fiscal year. The first is the \$2.6 million decrease (13 percent) in current and other assets. This is due to over \$2.1 million being paid on construction activities. Spending restricted resources for construction purposes also led to a decrease in restricted net assets.

The sizable increase in net capital assets is also the result of current construction, a portion of which was paid from cash resources (\$2 million) and current debt proceeds (\$2 million), as well as from a substantial donation (over \$4 million for the Niswonger Performing Arts Center). This addition to capital assets is also reflected in the increase in invested in capital assets.

Construction activities also contributed to the decrease in current and other liabilities resulting from payments on construction contracts. The reduction in liabilities is also realized in the increase in unrestricted net assets.

Table 2 reflects the change in net assets for fiscal year 2007 and fiscal year 2006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

**Table 2
Changes in Net Assets**

	Governmental Activities		Change
	2007	2006	
Revenues			
Program Revenues:			
Charges for Services	\$1,177,380	\$1,104,076	\$73,304
Operating Grants, Contributions, and Interest	2,344,973	2,182,543	162,430
Capital Grants, Contributions, and Interest	4,480,279	5,667,175	(1,186,896)
Total Program Revenues	8,002,632	8,953,794	(951,162)
General Revenues:			
Property Taxes Levied for:			
General Purposes	6,328,727	6,745,926	(417,199)
Debt Service	1,548,065	1,601,463	(53,398)
Permanent Improvements	429,890	442,172	(12,282)
Income Taxes Levied for General Purposes	2,391,416	2,240,315	151,101
Grants and Entitlements	9,049,446	8,648,574	400,872
Interest	453,229	295,938	157,291
Gifts and Donations	142,859	112,198	30,661
Miscellaneous	146,379	107,490	38,889
Total General Revenues	20,490,011	20,194,076	295,935
Total Revenues	28,492,643	29,147,870	(655,227)
Expenses			
Instruction:			
Regular	10,741,049	10,137,152	(603,897)
Special	2,424,175	2,459,442	35,267
Vocational	113,631	94,834	(18,797)
Support Services:			
Pupils	815,890	728,588	(87,302)
Instructional Staff	1,213,662	1,098,721	(114,941)
Board of Education	51,834	67,433	15,599
Administration	1,703,182	1,606,639	(96,543)
Fiscal	544,875	597,026	52,151
Operation and Maintenance of Plant	1,988,700	1,484,250	(504,450)
Pupil Transportation	451,545	408,808	(42,737)
Central	257,855	328,920	71,065
Non-Instructional Services	995,494	827,077	(168,417)
Extracurricular Activities	700,738	542,646	(158,092)
Interest and Fiscal Charges	568,183	1,669,511	1,101,328
Total Expenses	22,570,813	22,051,047	(519,766)
Increase in Net Assets	5,921,830	7,096,823	(1,174,993)
Net Assets at Beginning of Year	16,308,456	9,211,633	7,096,823
Net Assets at End of Year	\$22,230,286	\$16,308,456	\$5,921,830

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

With the exception of capital grants and contributions, program revenues remained fairly comparable to the prior fiscal year. In fiscal year 2006, the School District received a donation of over \$5 million for construction of the Niswonger Performing Arts Center. For fiscal year 2007, the School District received another donation towards this construction of over \$4 million. Even with this decrease of \$1 million, program revenues still made up 28 percent of the School District's total revenues.

General revenues remained very similar to fiscal year 2006 with an increase of just over 1 percent. Total revenues decreased just over 2 percent.

In total, expenses increased a little over 2 percent from fiscal year 2006. The major program expenses for governmental activities are for instruction, which are approximately 59 percent of total governmental expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation are 11 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, almost 9 percent. Therefore, 79 percent of the School District's expenses are directly related to the activities of providing facilities and delivering education. Non-instructional services costs include not only the operations of the School District's cafeteria, but also the flow-through costs associated with St. Mary of Assumption parochial school.

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

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction:				
Regular	\$10,741,049	\$10,137,152	\$8,605,742	\$7,590,609
Special	2,424,175	2,459,442	991,717	1,019,405
Vocational	113,631	94,834	96,271	73,641
Support Services:				
Pupils	815,890	728,588	801,716	711,600
Instructional Staff	1,213,662	1,098,721	1,211,802	1,097,547
Board of Education	51,834	67,433	51,834	67,433
Administration	1,703,182	1,606,639	1,703,182	1,606,639
Fiscal	544,875	597,026	538,075	590,226
Operation and Maintenance of Plant	1,988,700	1,484,250	1,988,700	1,484,250
Pupil Transportation	451,545	408,808	440,451	402,696
Central	257,855	328,920	236,855	307,920
Non-Instructional Services	995,494	827,077	(1,632,851)	(2,029,646)
Extracurricular Activities	700,738	542,646	(1,033,496)	(1,494,578)
Interest and Fiscal Charges	568,183	1,669,511	568,183	1,669,511
Total Expenses	\$22,570,813	\$22,051,047	\$14,568,181	\$13,097,253

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

As can be seen above, the dependence on general revenues for most programs is significant. Only several of the School District's programs receive a notable amount of program revenues to offset program costs. The special instruction program provides for 59 percent of its costs through program revenues from operating grants restricted for special instruction purposes. Program revenues in the non-instructional program include cafeteria sales and state and federal subsidies and donated commodities for food service operations as well as operating grants received on behalf of St. Mary of Assumption parochial school. Program revenues in the extracurricular activities program include music and athletic fees, ticket sales, and gate receipts. For fiscal year 2007, the regular instruction, non-instructional, and extracurricular activities programs also benefited from the \$4 million donation for the Niswonger Performing Arts Center.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund had an 11 percent increase in fund balance in fiscal year 2007. Although the increases for both revenues and expenditures were insignificant, overall revenues continue to exceed expenditures; thereby providing the increase in fund balance. The \$300,000 increase (51 percent) in fund balance in the Bond Retirement debt service fund resulted from the proceeds of bonds, including the premium, exceeding the amount paid to the refunding bond escrow agent for debt advance refunded by the School District. The significant drop in fund balance in the Permanent Improvement capital projects fund is due to resources spent for construction activities. This too was the reason for the decrease in fund balance in the Construction capital projects fund.

General Fund Budgeting Highlights

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

During fiscal year 2007, the School District amended its General Fund budget as needed. For revenues, the final budgeted amounts increased from the original budget by less than 2 percent. The final amended certificate matched actual revenues to the final budget for all revenue sources.

Differences from the original to final budget and the final budget to actual expenditures were not significant, 3 percent and less than 1 percent respectively.

Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2007, the School District had \$44,770,020 invested in capital assets (net of accumulated depreciation). This was \$8 million more than the capital assets reported in fiscal year 2006 and is due to the last of the construction on the middle school/high school and Niswonger Performing Arts Center. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt - At June 30, 2007, the School District had outstanding general obligation bonds, in the amount of \$26,941,793. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Current Issues

The passage of the 1 percent five-year income tax levy in November 2003 will provide these resources through fiscal year 2008; however, the scheduled elimination of the tangible personal property taxes along with the lack of significant increases in State funding will result in the School District being forced back to the ballot to ask local voters to renew the current income tax during calendar year 2008 and to find a means to reduce costs and develop other means to increase revenues.

In fiscal year 2007, the net cost of open enrollment for the School District was approximately \$742,000 and in fiscal year 2008 the net cost is estimated to be \$814,762. The Board of Education, Administration, and staff are continuing to work to reduce this net cost. It is hoped that the opening of the new middle school/high school and the Niswonger Performing Arts Center will have a positive impact on open enrollment as well as a positive impact on economic development for the Van Wert area.

In the spring of 2008, the Ohio School Facilities Commission will approach the School District about participating in the Classroom Facilities Assistance Program for the construction of an elementary building or buildings. There is currently in excess of \$27,000,000 of State funds set aside for the construction of the elementary facilities. To receive these funds, the School District will need to pass a .5 mill maintenance levy or generate equivalent funds through other means. At some point in calendar year 2008, the School District will need to decide to either enter into the Program or to defer.

Contacting the School District's Financial Management

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

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

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$6,752,036
Cash and Cash Equivalents with Escrow Agent	482,268
Accounts Receivable	25,533
Accrued Interest Receivable	7,474
Intergovernmental Receivable	216,170
Prepaid Items	12,439
Inventory Held for Resale	14,573
Materials and Supplies Inventory	4,606
Income Taxes Receivable	1,080,567
Property Taxes Receivable	8,125,127
Unamortized Issuance Costs	388,735
Non-depreciable Capital Assets	1,138,348
Depreciable Capital Assets, Net	43,631,672
Total Assets	<u>61,879,548</u>
 Liabilities:	
Accounts Payable	18,104
Contracts Payable	387,591
Accrued Wages and Benefits Payable	1,629,393
Matured Compensated Absences Payable	43,845
Intergovernmental Payable	503,803
Retainage Payable	504,994
Accrued Interest Payable	74,763
Deferred Revenue	7,387,434
Long-Term Liabilities:	
Due Within One Year	487,420
Due in More Than One Year	28,611,915
Total Liabilities	<u>39,649,262</u>
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	19,264,955
Restricted For:	
Set Asides	52,993
Debt Service	635,248
Capital Projects	14,191
Other Purposes	340,383
Needy Students/Educational Purposes	
Expendable	21,317
Non-expendable	78,094
Unrestricted	1,823,105
Total Net Assets	<u><u>\$22,230,286</u></u>

See accompanying notes to basic financial statements.

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

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Program Revenues			Net (Expense)/Revenue and Change in Net Assets	
Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities	
Governmental Activities:					
Instruction:					
Regular	\$10,741,049	\$592,067	\$376,814	\$1,166,426	(\$8,605,742)
Special	2,424,175	4,424	1,428,034		(991,717)
Vocational	113,631		17,360		(96,271)
Support Services:					
Pupils	815,890		14,174		(801,716)
Instructional Staff	1,213,662		1,860		(1,211,802)
Board of Education	51,834				(51,834)
Administration	1,703,182				(1,703,182)
Fiscal	544,875	6,800			(538,075)
Operation and Maintenance of Plant	1,988,700				(1,988,700)
Pupil Transportation	451,545			11,094	(440,451)
Central	257,855		21,000		(236,855)
Non-Instructional Services	995,494	444,470	445,545	1,738,330	1,632,851
Extracurricular Activities	700,738	129,619	40,186	1,564,429	1,033,496
Interest and Fiscal Charges	568,183				(568,183)
Total Governmental Activities	\$22,570,813	\$1,177,380	\$2,344,973	\$4,480,279	(14,568,181)
General Revenues:					
					6,328,727
Property Taxes Levied for General Purposes					1,548,065
Property Taxes Levied for Debt Service					429,890
Property Taxes Levied for Permanent Improvements					2,391,416
Income Taxes Levied for General Purposes					9,049,446
Grants and Entitlements not Restricted to Specific Programs					453,229
Interest					142,859
Gifts and Donations					146,379
Miscellaneous					20,490,011
Total General Revenues					20,490,011
Change in Net Assets					5,921,830
Net Assets at Beginning of Year - Restated (Note 3)					16,308,456
Net Assets at End of Year					\$22,230,286

See accompanying notes to the basic financial statements.

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Bond Retirement	Permanent Improvement	Construction	Other Governmental	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$4,833,123	\$765,635	\$672,723	\$16,962	\$399,506	\$6,687,949
Accounts Receivable	25,383				150	25,533
Accrued Interest Receivable	6,712				762	7,474
Intergovernmental Receivable	6,839				209,331	216,170
Interfund Receivable	894,887					894,887
Prepaid Items	11,145			1,285	9	12,439
Inventory Held for Resale					14,573	14,573
Materials and Supplies Inventory					4,606	4,606
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	64,087					64,087
Cash and Cash Equivalents with Escrow Agent			396,169	86,099		482,268
Income Taxes Receivable	1,080,567					1,080,567
Property Taxes Receivable	6,171,182	1,536,928	417,017			8,125,127
Total Assets	13,093,925	2,302,563	1,485,909	104,346	628,937	17,615,680
Liabilities and Fund Balances:						
Liabilities						
Accounts Payable	16,534				1,570	18,104
Contracts Payable	970		376,621	10,000		387,591
Accrued Wages and Benefits Payable	1,476,212				153,181	1,629,393
Matured Compensated Absences Payable	43,845					43,845
Intergovernmental Payable	456,106				47,697	503,803
Interfund Payable			800,000		94,887	894,887
Retainage Payable			22,726			22,726
Deferred Revenue	5,882,886	1,407,371	383,503		51,214	7,724,974
Payable from Restricted Assets:						
Retainage Payable			396,169	86,099		482,268
Total Liabilities	7,876,553	1,407,371	1,979,019	96,099	348,549	11,707,591
Fund Balances:						
Reserved for Interfund Receivable	600,000					600,000
Reserved for Property Taxes	473,296	129,557	33,514			636,367
Reserved for Budget Stabilization	52,993					52,993
Reserved for Bus Purchase	11,094					11,094
Reserved for Encumbrances	74,959		230,418	111,675	17,864	434,916
Reserved for Principal					78,094	78,094
Unreserved, Reported in:						
General Fund	4,005,030					4,005,030
Special Revenue Funds					157,169	157,169
Debt Service Fund		765,635				765,635
Capital Projects Funds (Deficit)			(757,042)	(103,428)	5,944	(854,526)
Permanent Fund					21,317	21,317
Total Fund Balances	5,217,372	895,192	(493,110)	8,247	280,388	5,908,089
Total Liabilities and Fund Balances	\$13,093,925	\$2,302,563	\$1,485,909	\$104,346	\$628,937	\$17,615,680

See accompanying notes to the basic financial statements.

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Fund Balances		\$5,908,089
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
		44,770,020
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Accounts Receivable	\$14,361	
Accrued Interest Receivable	340	
Intergovernmental Receivable	50,874	
Income Taxes Receivable	170,639	
Property Taxes Receivable	101,326	
		337,540
<p>Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.</p>		
		388,735
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Accrued Interest Payable	(74,763)	
General Obligation Bonds Payable	(24,981,793)	
School Facility Construction Loan Payable	(1,960,000)	
Compensated Absences Payable	(2,157,542)	
		(29,174,098)
Net Assets of Governmental Activities		\$22,230,286

See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Revenues:						
Property Taxes	\$6,356,558	\$1,551,831	\$425,818			\$8,334,207
Income Taxes	2,382,058					2,382,058
Intergovernmental	9,366,179	291,022	67,729		\$1,587,001	11,311,931
Interest	450,153			\$57,156	12,031	519,340
Tuition and Fees	598,691					598,691
Extracurricular Activities					129,619	129,619
Charges for Services	6,800				444,470	451,270
Gifts and Donations	67,117			4,389,216	134,526	4,590,859
Miscellaneous	71,023		3,800		72,710	147,533
Total Revenues	<u>19,298,579</u>	<u>1,842,853</u>	<u>497,347</u>	<u>4,446,372</u>	<u>2,380,357</u>	<u>28,465,508</u>
Expenditures:						
Current:						
Instruction:						
Regular	10,101,214				140,474	10,241,688
Special	1,949,421				488,368	2,437,789
Vocational	109,654					109,654
Support Services:						
Pupils	727,560				79,081	806,641
Instructional Staff	861,484				324,276	1,185,760
Board of Education	51,834					51,834
Administration	1,656,673				54,777	1,711,450
Fiscal	477,845	44,629	15,031	510	989	539,004
Operation and Maintenance of Plant	1,806,801		221,404		3,511	2,031,716
Pupil Transportation	465,407				11,358	476,765
Central	224,330				22,966	247,296
Non-Instructional Services	1,117				938,922	940,039
Extracurricular Activities	285,829				390,193	676,022
Capital Outlay			1,158,076	7,372,416	19,791	8,550,283
Debt Service:						
Principal Retirement		262,472	40,000			302,472
Interest on Capital Appreciation Bonds		517,085				517,085
Interest and Fiscal Charges		727,228	101,360			828,588
Issuance Costs		322,203				322,203
Total Expenditures	<u>18,719,169</u>	<u>1,873,617</u>	<u>1,535,871</u>	<u>7,372,926</u>	<u>2,474,706</u>	<u>31,976,289</u>
Excess of Revenues Over (Under) Expenditures	<u>579,410</u>	<u>(30,764)</u>	<u>(1,038,524)</u>	<u>(2,926,554)</u>	<u>(94,349)</u>	<u>(3,510,781)</u>
Other Financing Sources (Uses):						
Sale of Capital Assets			37,424			37,424
Loan Proceeds				2,000,000		2,000,000
General Obligation Bonds Issued		18,440,000				18,440,000
Premium on Bonds Issued		1,221,065				1,221,065
Discount on Bonds Issued		(20,403)				(20,403)
Payment to Refunded Bond Escrow Agent		(19,308,907)				(19,308,907)
Transfers In					50,000	50,000
Transfers Out	(50,000)					(50,000)
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>331,755</u>	<u>37,424</u>	<u>2,000,000</u>	<u>50,000</u>	<u>2,369,179</u>
Changes in Fund Balances	529,410	300,991	(1,001,100)	(926,554)	(44,349)	(1,141,602)
Fund Balances at Beginning of Year	4,687,962	594,201	507,990	934,801	324,737	7,049,691
Fund Balances (Deficits) at End of Year	<u>\$5,217,372</u>	<u>\$895,192</u>	<u>(\$493,110)</u>	<u>\$8,247</u>	<u>\$280,388</u>	<u>\$5,908,089</u>

See accompanying notes to the basic financial statements.

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

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Changes in Fund Balances - Total Governmental Funds (\$1,141,602)

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

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

Capital Outlay - Nondepreciable Capital Assets	\$8,435,605	
Capital Outlay - Depreciable Capital Assets	108,685	
Depreciation	<u>(437,936)</u>	
		8,106,354

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 loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(37,424)	
Loss on Disposal of Capital Assets	<u>(11,909)</u>	
		(49,333)

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

Property Taxes	(27,525)	
Income Taxes	9,358	
Intergovernmental	49,143	
Interest	(487)	
Tuition and Fees	(2,200)	
Miscellaneous	<u>(1,154)</u>	
		27,135

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

Payment to Refunded Bond Escrow Agent	19,308,907	
General Obligation Bonds Payable	262,472	
School Facilities Construction Loan Payable	<u>40,000</u>	
		19,611,379

Debt proceeds are other financing sources in the governmental funds, but the issuance increases long-term liabilities on the statement of net assets

General Obligation Bonds Payable	(18,440,000)	
School Facilities Construction Loan Payable	<u>(2,000,000)</u>	
		(20,440,000)

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

Accrued Interest Payable	13,144	
Annual Accretion on Capital Appreciation Bonds	(275,008)	
Payment of Accretion of Capital Appreciation Bonds	517,085	
Amortization of Premium	9,127	
Refunding of Premium	767,410	
Unamortized Premium	(1,221,065)	
Unamortized Discount	<u>20,403</u>	
		(168,904)

Issuance costs are reported as an expenditure when paid in the governmental funds, but is accrued on outstanding debt on the statement of net assets

Amortization of Issuance Costs	(2,989)	
Refunding of Issuance Costs	(251,279)	
Unamortized Issuance Costs	<u>322,203</u>	
		67,935

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(91,134)

Change in Net Assets of Governmental Activities

\$5,921,830

See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$5,918,279	\$6,426,695	\$6,426,695	
Income Taxes	2,300,000	2,288,940	2,288,940	
Intergovernmental	9,833,794	9,367,077	9,367,077	
Interest	150,000	449,076	449,076	
Tuition and Fees	653,700	592,743	592,743	
Charges for Services	6,800	6,800	6,800	
Gifts and Donations	45,000	67,117	67,117	
Miscellaneous	37,950	59,381	59,381	
Total Revenues	<u>18,945,523</u>	<u>19,257,829</u>	<u>19,257,829</u>	
Expenditures:				
Current:				
Instruction:				
Regular	10,031,960	9,905,488	9,900,288	\$5,200
Special	1,905,511	1,980,978	1,980,926	52
Vocational	103,327	108,115	108,115	
Other	213,569	303,001	303,001	
Support Services:				
Pupils	673,860	724,168	723,931	237
Instructional Staff	860,024	855,007	853,744	1,263
Board of Education	66,322	62,223	52,223	10,000
Administration	1,533,108	1,621,301	1,620,002	1,299
Fiscal	521,310	473,664	473,602	62
Operation and Maintenance of Plant	1,518,795	1,856,059	1,823,992	32,067
Pupil Transportation	428,806	460,652	461,605	(953)
Central	203,883	227,516	227,505	11
Non-Instructional Services	1,000	1,065	1,065	
Extracurricular Activities	290,218	286,195	286,195	
Total Expenditures	<u>18,351,693</u>	<u>18,865,432</u>	<u>18,816,194</u>	<u>49,238</u>
Excess of Revenues Over Expenditures	593,830	392,397	441,635	49,238
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	500	14,550	14,550	
Advances In	103,000	197,054	197,054	
Advances Out	(103,000)	(839,232)	(839,232)	
Transfers Out		(50,000)	(50,000)	
Total Other Financing Sources (Uses)	<u>500</u>	<u>(677,628)</u>	<u>(677,628)</u>	
Changes in Fund Balance	594,330	(285,231)	(235,993)	49,238
Fund Balance at Beginning of Year	4,806,578	4,806,578	4,806,578	
Prior Year Encumbrances Appropriated	304,481	304,481	304,481	
Fund Balance at End of Year	<u>\$5,705,389</u>	<u>\$4,825,828</u>	<u>\$4,875,066</u>	<u>\$49,238</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

	Private Purpose Trust	Investment Trust	Agency
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$48,903		\$69,618
Cash and Cash Equivalents in Segregated Accounts		\$2,276,125	
Accrued Interest Receivable	95		
Total Assets	48,998	2,276,125	69,618
Liabilities:			
Due to Students			\$69,618
Net Assets:			
Held in Trust for Students	34,463		
Held in Trust for Individual Investment Account		2,276,125	
Endowments	14,535		
Total Net Assets	\$48,998	\$2,276,125	

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Private Purpose Trust	Investment Trust
Additions:		
Interest	\$2,045	\$85,693
Gifts and Donations	10,896	
Total Additions	12,941	85,693
Deductions:		
Capital Transactions		(889,189)
Non-Instructional Services	12,716	
Total Deductions	12,716	(889,189)
Changes in Net Assets	225	974,882
Net Assets at Beginning of Year	48,773	1,301,243
Net Assets at End of Year	\$48,998	\$2,276,125

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1970 through the consolidation of existing land areas and school districts. The School District serves an area of approximately seventy square miles. It is located in Van Wert County, and includes the Village of Ohio City and Liberty Township. The School District is the 269th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by ninety-six classified employees, one hundred fifty-three certified teaching personnel, and twelve administrative employees who provide services to 2,156 students and other community members. The School District currently operates six instructional buildings and a maintenance/transportation building.

A. Reporting Entity

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

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

The School District's reporting entity includes the following:

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

2. Fund Financial Statements

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's four major funds are the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement and Construction capital projects funds.

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

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

Permanent Improvement Fund - The Permanent Improvement capital projects fund is used to account for the acquisition, construction or improvement of capital facilities.

Construction Fund - The Construction capital projects fund is used to account for the construction of a new high school/middle school.

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

2. Fiduciary Funds

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

1. Government-Wide Financial Statements

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

2. Fund Financial Statements

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

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

D. Basis of Accounting

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

1. Revenues - Exchange and Nonexchange Transactions

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 nonexchange transactions must also be available before it can be recognized.

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

2. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

3. Expenses/Expenditures

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

E. Budgetary Process

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board. Prior to fiscal year end, the School District requests a certificate of estimated resources that matches actual revenues plus carry-over balances.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations 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.

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, with the exception of the investment trust fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". Cash and cash equivalents that are held separately for the School District by escrow agents for payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agent".

During fiscal year 2007, investments included nonnegotiable certificates of deposit, repurchase agreements, mutual funds, and STAR Ohio. Nonnegotiable certificates of deposit and repurchase agreements are reported at cost. Mutual funds 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, 2007.

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 2007 was \$450,153, which includes \$62,538 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventory

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

I. Restricted Assets

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

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

J. Capital Assets

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

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

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	20 - 60 years
Buildings and Building Improvements	10-90 years
Furniture, Fixtures, and Equipment	5 - 50 years
Vehicles	10 - 20 years

K. Interfund Assets/Liabilities

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

M. Accrued Liabilities and Long-Term Obligations

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

N. 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. As of June 30, 2007, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The reserve for principal represents the non-expendable portion of the permanent funds.

P. Interfund Transactions

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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.

Q. Unamortized Issuance Costs, Premiums, and Discounts

On government-wide financial statements, issuance costs, premiums, and discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond premiums are presented as an addition to the face amount of bonds payable. Bond discounts are presented as a reduction of the face amount of bonds payable.

On the governmental fund financial statements, issuance costs and bond premiums and discounts are recognized in the current period.

R. Unamortized Loss on Advance Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a reduction of the face amount of the new debt.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. RESTATEMENT OF NET ASSETS

In the prior fiscal year, the School District made errors in reporting capital assets, and for the current period changed its capitalization threshold from \$1,500 to \$5,000. The restatement had the following effect on net assets.

	Total Governmental Activities
Net Assets at June 30, 2006	\$16,669,925
Capital Assets	(1,059,333)
Accumulated Depreciation	697,864
Adjusted Net Assets at June 30, 2006	\$16,308,456

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2007, the Lunchroom, Title VI-B, Ohio Integrated Systems Model, Title I, and Early Childhood Preschool special revenue funds and the Permanent Improvement capital projects fund had deficit fund balances, in the amount of \$48,346, \$51,369, \$2,629, \$15,054, \$3,327, and \$493,110, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

For the fiscal year ended June 30, 2007, the 500 Federal Funds Group had final appropriations in the amount of \$1,145,039 and estimated resources in the amount of \$1,088,976 which was \$56,063 in excess of estimated resources plus available balances.

The Treasurer will review budgeted resources to ensure they are sufficient for amounts appropriated.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

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

Changes in Fund Balance	
GAAP Basis	\$ 529,410
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2006, Received in Cash FY 2007	1,381,597
Accrued FY 2007, Not Yet Received in Cash	(1,407,797)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(2,013,384)
Accrued FY 2007, Not Yet Paid in Cash	1,993,667
Prepaid Items	491
Advances In	197,054
Advances Out	(839,232)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(77,799)
Budget Basis	(\$235,993)

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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.

Cash on Hand - At year-end, the Career Center had \$1,380 in undeposited cash on hand which is included on the financial statements of the Career Center as part of "Equity in Pooled Cash and Cash Equivalents."

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Deposits - Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying value of deposits was \$3,833,686 and \$1,637,803 of the School District's bank balance of \$4,397,831 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.

Investments - As of June 30, 2007, the School District had the following investments.

	Fair Value	Maturity
Repurchase Agreements	\$2,234,595	July 2, 2007
Mutual Funds	482,268	29 days average
STAR Ohio	3,077,021	38.56 days average
	\$5,793,884	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

The securities underlying the repurchase agreements (Federal National Mortgage Association Notes) carry a rating of AAA by Moodys. The mutual funds carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's.

The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that the market value of repurchase agreements in qualified investments must exceed the principal value by at least 2 percent, be marked to market daily, and the term must not exceed thirty days. STAR Ohio maintains the highest rating provided by at least one nationally recognized standard rating service. Mutual funds must consist of securities listed in items 1 and 2 on page 31.

The School District places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the School District's total portfolio.

	Fair Value	Percentage of Portfolio
Repurchase Agreements	\$2,234,595	38.57%

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. RECEIVABLES

Receivables at June 30, 2007, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, interfund, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

All receivables, except property taxes and a portion of the interfund receivable, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Department of Job and Family Services	\$ 204
Various School Districts	6,635
Total General Fund	6,839
Other Governmental Funds	
Food Service	36,658
High Schools That Work	5,337
Core	10,916
Title VI-B	40,867
Ohio Integrated Systems Model	22,503
Title I	46,357
Title V	2,766
Drug Free	969
Title II-A	40,234
Title II-D	2,724
Total Other Governmental Funds	209,331
Total Intergovernmental Receivables	\$216,170

8. INCOME TAXES

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

9. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year. Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. PROPERTY TAXES (Continued)

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 property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Van Wert County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2007, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$473,296 in the General Fund, \$129,557 in the Bond Retirement debt service fund, and \$33,514 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2006, was \$543,433 in the General Fund, \$154,514 in the Bond Retirement debt service fund, and \$38,839 in the Permanent Improvement capital projects fund. Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$152,217,030	66.25%	\$154,975,150	65.88%
Industrial/Commercial	42,284,270	18.40%	43,137,360	18.34%
Public Utility	7,996,960	3.45%	8,013,570	3.41%
Tangible Personal	27,273,013	1.87%	29,097,528	12.37%
Total Assessed Value	<u>\$229,771,273</u>	<u>100.00%</u>	<u>\$235,223,608</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$54.40		\$53.70	

10. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Restated Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$531,835		(\$3,355)	\$528,480
Construction in Progress	32,657,109	\$8,435,605	(40,482,846)	609,868
Total Nondepreciable Capital Assets	<u>33,188,944</u>	<u>8,435,605</u>	<u>(40,486,201)</u>	<u>1,138,348</u>
Governmental Activities (continued)				
Depreciable Capital Assets				
Land Improvements	\$415,759	\$459,051	(\$95,616)	\$779,194
Buildings and Building Improvements	7,723,565	40,023,795	(266,208)	47,481,152
Furniture, Fixtures, and Equipment	649,424	38,985		688,409
Vehicles	958,402	69,700	(32,680)	995,422
Total Depreciable Capital Assets	<u>9,747,150</u>	<u>40,591,531</u>	<u>(394,504)</u>	<u>49,944,177</u>
Less Accumulated Depreciation				
Land Improvements	(269,780)	(20,376)	69,003	(221,153)
Buildings and Building Improvements	(5,057,515)	(334,796)	246,843	(5,145,468)
Furniture, Fixtures, and Equipment	(281,462)	(36,646)		(318,108)
Vehicles	(614,338)	(46,118)	32,680	(627,776)
Total Accumulated Depreciation	<u>(6,223,095)</u>	<u>(437,936)</u>	<u>348,526</u>	<u>(6,312,505)</u>
Depreciable Capital Assets, Net	<u>3,524,055</u>	<u>40,153,595</u>	<u>(45,978)</u>	<u>43,631,672</u>
Governmental Activities Capital Assets, Net	<u>\$36,712,999</u>	<u>\$48,589,200</u>	<u>(\$40,532,179)</u>	<u>\$44,770,020</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$201,837
Special	13,937
Vocational	3,299
Support Services:	
Pupils	3,767
Instructional Staff	5,650
Administration	12,182
Operation and Maintenance of Plant	50,163
Pupil Transportation	36,201
Central	15,376
Non-Instructional Services	38,442
Extracurricular Activities	57,082
Total Depreciation Expense	\$437,936

11. INTERFUND ASSETS/LIABILITIES

At June 30, 2007, the General Fund had an interfund receivable, in the amount of \$894,887; \$800,000 from the Permanent Improvement capital projects fund and \$94,887 from other governmental funds for loans made to those funds. Of this amount, \$600,000 from the Permanent Improvement capital projects fund is not expected to be repaid within one year.

12. 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 2007, the School District contracted for the following insurance coverage.

Coverage provided by Indiana Insurance Company is as follows:

General Liability	
Per Occurrence	\$1,000,000
Total per Year	2,000,000
Building and Contents	35,954,205
Vehicle Liability	1,000,000
Uninsured/Underinsured Motorists	1,000,000
Umbrella Liability	
Per Occurrence	3,000,000
Total per Year	3,000,000

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.

**VAN WERT CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. RISK MANAGEMENT (Continued)

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald and 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.

13. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The 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 select 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2007, 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. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005 was \$1,193,619, \$1,212,245, and \$1,124,510, respectively; 82 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$392 made by the School District and \$980 made by plan members.

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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 was \$237,025, \$214,974, and \$198,090, respectively; 52 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

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, 2007, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

14. POST-EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated 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 obligations 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.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$91,847 for fiscal year 2007.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$107,149.

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 the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

15. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. OTHER EMPLOYEE BENEFITS (Continued)

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

B. Health Care Benefits

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

16. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	<u>Balance at 6/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/07</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds					
FY 2007 School Improvement Refunding					
Serial Bonds 4 - 4.25%		\$ 6,795,000		\$ 6,795,000	\$ 50,000
Term Bonds 4.25%		2,580,000		2,580,000	
Capital Appreciation Bonds		5,000		5,000	
Accretion on Capital					
Appreciation Bonds		826		826	
Premium		605,387		605,387	
Accounting Loss		(434,105)		(434,105)	
FY 2007 School Improvement Refunding					
Serial Bonds 4%		9,000,000		9,000,000	95,000
Capital Appreciation Bonds		60,000		60,000	
Accretion on Capital		8,536		8,536	
Appreciation Bonds					
Premium		615,678		615,678	
Discount		(20,403)		(20,403)	
Accounting Loss		(434,802)		(434,802)	
FY 2003 School Improvement					
Serial Bonds 2-5%	\$11,490,000		\$ 6,975,000	4,515,000	
Term Bonds 5%	11,465,000		11,465,000		
Capital Appreciation Bonds	909,517		262,472	647,045	221,913
Accretion on Capital					
Appreciation Bonds	1,086,878	265,646	517,085	835,439	
Premium	979,729		776,537	203,192	
FY 2007 School Improvement					
Loan		2,000,000	40,000	1,960,000	43,000
Total General Obligation Bonds	25,931,124	21,046,763	20,036,094	26,941,793	409,913
Compensated Absences Payable	2,066,408	351,564	260,430	2,157,542	77,507
Total Governmental Activities					
Long-Term Liabilities	<u>\$27,997,532</u>	<u>\$21,398,327</u>	<u>\$20,296,524</u>	<u>\$29,099,335</u>	<u>\$487,420</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

2007 School Improvement Refunding Bonds - On November 30, 2006, the School District issued bonds, in the amount of \$9,380,000, to partially refund bonds previously issued in fiscal year 2003 for the construction of a new high school. The refunding bond issue includes serial, term, and capital appreciation bonds, in the amount of \$6,795,000, \$2,580,000 and \$5,000, respectively. The bonds were issued at a premium of \$605,387. The bonds were issued for a twenty-four year period, with final maturity during fiscal year 2031. The bonds will be retired through the Bond Retirement debt service fund.

The net proceeds of the refunding bond issue, in the amount of \$9,814,105, were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the 2003 School Improvement Bonds. As a result, \$9,380,000 of the 2003 School Improvement Bonds are considered to be defeased and the liability for these bonds has been removed from the School District's financial statements. At June 30, 2007, \$9,380,000 of this debt was still outstanding.

Although the refunding will result in the recognition of an accounting loss of \$434,105, the School District in effect decreased its aggregated debt service payments by \$907,448 over the next twenty-four years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$577,609.

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2025, in the amount of \$970,000. For fiscal year 2007, \$826 was accreted on the capital appreciation bonds for a total bond value of \$5,826 at fiscal year end.

2007 School Improvement Refunding Bonds - On December 18, 2006, the School District issued bonds, in the amount of \$9,060,000, to partially refund bonds previously issued in fiscal year 2003 for the construction of a new high school. The refunding bond issue includes serial and capital appreciation bonds, in the amount of \$9,000,000 and \$60,000, respectively. The serial and capital appreciation bonds were issued at a premium of \$615,678, and the serial bonds were issued at a discount of \$20,403. The bonds were issued for a eighteen year period, with final maturity during fiscal year 2025. The bonds will be retired through the Bond Retirement debt service fund.

The net proceeds of the refunding bond issue, in the amount of \$9,494,802, were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the 2003 School Improvement Bonds. As a result, \$9,060,000 of the 2003 School Improvement Bonds are considered to be defeased and the liability for these bonds has been removed from the School District's financial statements. At June 30, 2007, \$9,060,000 of this debt was still outstanding.

Although the refunding will result in the recognition of an accounting loss of \$434,802, the School District in effect decreased its aggregated debt service payments by \$409,811 over the next eighteen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$301,380.

**VAN WERT CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2016, in the amount of \$945,000. For fiscal year 2007, \$8,536 was accreted on the capital appreciation bonds for a total bond value of \$68,536 at fiscal year end.

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2009, in the amount of \$2,975,000. For fiscal year 2007, \$265,646 was accreted and \$517,085 was retired on the capital appreciation bonds for a total bond value of \$1,482,484 at fiscal year end.

2007 School Improvement Loan - On June 29, 2006, the School District obtained a loan, in the amount of \$2,000,000, for the acquisition and construction of school facilities. The loan has an interest rate of 5.04 percent. The loan was obtained for a twenty-five year period, with final maturity in fiscal year 2032. The loan is being retired through the Permanent Improvement capital projects fund.

Compensated absences will be paid from the General Fund and the Food Service special revenue fund.

The School District's overall debt margin was (\$7,728,161) with an unvoted debt margin of \$198,154 at June 30, 2007. 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.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2007, were as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
2008	\$145,000		\$221,913	\$1,261,174	\$1,628,087
2009	95,000		227,211	1,366,076	1,688,287
2010	95,000		197,921	1,411,567	1,704,488
2011	785,000			912,737	1,697,737
2012	815,000			882,119	1,697,119
2013-2017	3,645,000		60,000	4,778,319	8,483,319
2018-2022	5,240,000	\$175,000		3,047,420	8,462,420
2023-2027	3,225,000	2,405,000	5,000	2,863,995	8,498,995
2028-2031	6,265,000			546,443	6,811,443
Total	<u>\$20,310,000</u>	<u>\$2,580,000</u>	<u>\$712,045</u>	<u>\$17,069,850</u>	<u>\$40,671,895</u>

Fiscal Year Ending June 30,	School Improvement Loan	
	Principal	Interest
2008	\$43,000	\$98,784
2009	45,000	96,616
2010	47,000	94,348
2011	50,000	91,980
2012	53,000	89,460
2013-2017	306,000	404,712
2018-2022	395,000	319,032
2023-2027	510,000	208,404
2028-2031	511,000	66,076
Total	<u>\$1,960,000</u>	<u>\$1,469,412</u>

17. SET ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future fiscal years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2007, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2007.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2006	(\$440,698)	(\$24,861,671)	\$52,993
Current Year Set Aside Requirement	315,416	315,416	
Qualifying Expenditures	(401,731)		
Current Year Offsets			
Balance Carried Forward to Fiscal Year 2008	<u>(527,013)</u>	<u>(24,546,255)</u>	<u>52,993</u>
Set Aside Reserve Balance June 30, 2007	<u>\$0</u>	<u>\$0</u>	<u>\$52,993</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

17. SET ASIDES (Continued)

The School District had carryover balances and qualifying expenditures during the fiscal year and previous fiscal years that reduced the textbooks and capital improvements set aside amounts below zero. These amounts may be used to reduce the set aside requirements in future fiscal years.

18. INTERFUND TRANSFERS

During fiscal year 2007, the General Fund made transfers to other governmental funds, in the amount of \$50,000, to subsidize operations.

19. ENDOWMENTS

The School District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$14,535, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$34,463 and is included as held in trust for students. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year and to aid needy children.

20. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative (NOACSC)

The School District is a participant in NOACSC which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2007, the School District paid \$36,892 to NOACSC for various services. Financial information can be obtained from Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

B. Vantage Joint Vocational School

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

20. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. West Central Regional Professional Development Center

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

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Allen County Educational Service Center, 1920 Slabtown Road, Lima, Ohio 45801.

D. Northwest Ohio Special Education Regional Resource Center (SERRC)

The 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

21. INSURANCE POOLS

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

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Van Wert Area Schools Insurance Group

The Van Wert Area Schools Insurance Group (VWASIG) is a public entity shared risk pool consisting of five members. VWASIG is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each member appoints a representative to the Board of Trustees. The Board of Trustees is the legislative and managerial body of VWASIG. Financial information can be obtained from the Van Wert City School District, 205 West Crawford Street, Van Wert, Ohio 4 5891.

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, 2007.

B. Litigation

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

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**VAN WERT CITY SCHOOL DISTRICT
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**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
School Breakfast Program	044966-05PU-2006	10.553	\$3,071		\$3,071	
	044966-05PU-2007		23,057		23,057	
Total School Breakfast Program			26,128		26,128	
National School Lunch Program	044966-LLP4-2006	10.555	29,744		29,744	
	044966-LLP4-2007		181,436		181,436	
Total Nutrition Cluster			211,180		211,180	
Total National School Lunch Program						
Food Donation	N/A	10.550		\$93,991		\$93,991
Total U.S. Department of Agriculture			237,308	93,991	237,308	93,991
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)						
Medical Assistance Program	8100156	93.778	20,756			
Total U.S. Department of Health and Human Services			20,756			
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Special Education Cluster:						
Special Education_Grants to States	044966-6BSD-2007	84.027	52,497		67,924	
	044966-6BSF-2006		127,334		(8,256)	
	044966-6BSF-2007		505,708		524,814	
Total Special Education_Grants to States			685,539		584,482	
Special Education_Preschool Grants	044966-PGS1-2006	84.173	2,433			
	044966-PGS1-2007		17,559		17,559	
Total Special Education_Preschool Grants			19,992		17,559	
Total Special Education Cluster			705,531		602,041	
Title I Grants to Local Educational Agencies	044966-C1S1-2006	84.010	43,927		24,294	
	044966-C1S1-2007		206,332		202,336	
Total - Title I Grants to Local Educational Agencies			250,259		226,630	
Improving Teacher Quality State Grants	044966-TRS1-2006	84.367	(11,355)			
	044966-TRS1-2007		80,970		94,770	
Total Improving Teacher Quality State Grants			69,615		94,770	
Education Technology State Grants	044966-TJS1-2007	84.318	303		2,147	
Safe and Drug Free Schools	044966-DRS1-2006	84.186	3,446		100	
	044966-DRS1-2007		6,406		7,375	
Total Safe and Drug Free Schools			9,852		7,475	
State Grants for Innovative Programs	044966-C2S1-2007	84.298	307		2,913	
Total U.S. Department of Education			1,035,867		935,976	
Total Federal Assistance			<u>\$1,293,931</u>	<u>\$93,991</u>	<u>\$1,173,284</u>	<u>\$93,991</u>

See accompanying notes to the schedule of federal awards receipts and expenditures.

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION PROGRAM

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

NOTE C – NUTRITION CLUSTER

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

NOTE D - TRANSFER OF FUNDS BETWEEN SPECIAL COST CENTERS

The following transfers between fund cost centers were approved by the Ohio Department of Education.

<u>Grant, CFDA #, Fund, and Cost Center</u>	<u>Transfer Out</u>	<u>Transfer In</u>
Special Education Pre-school Grants to States #84.173		
587-9106	(\$698)	
587-9107		\$698
Improving Teacher Quality #84.367		
590-9106	(\$11,355)	
590-9107		\$11,355



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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Van Wert City School District, Van Wert County, (the School District), as of and for the fiscal year ended June 30, 2007, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we noted certain matters that we reported to the School District's management in a separate letter dated March 21, 2008.

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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*.

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated March 21, 2008.

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

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

Mary Taylor, CPA
Auditor of State

March 21, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Van Wert City School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the Van Wert City School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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

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



Mary Taylor, CPA
Auditor of State

March 21, 2008

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster – CFDA #84.027 & #84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Finding for recovery repaid under audit for expenses related to travel and unwarranted vacation/professional days	Yes	
2006-002	Finding for recovery repaid under audit for expenses related to excessive cell phone usage.	Yes	



Mary Taylor, CPA
Auditor of State

VAN WERT CITY SCHOOL DISTRICT

VAN WERT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 1, 2008**