



Mary Taylor, CPA
Auditor of State

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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VAN WERT COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincolnview Local School District, Van Wert County, (the District), as of and for the years ended June 30, 2008 and 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 District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lincolnview Local School District, Van Wert County, as of June 30 2008 and 2007, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the years 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 February 17, 2009, on our consideration of the 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.

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We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures, for fiscal year ended June 30, 2008, is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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

February 17, 2009

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The management's discussion and analysis of the Lincolnview Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities increased \$2,006,193 which represents a 9.55 percent increase from 2007.
- General revenues accounted for \$8,423,264 in revenue or 72.58 percent of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$3,182,745 or 27.42 percent of total revenues of \$11,606,009.
- The District had \$9,599,816 in expenses related to governmental activities; \$3,182,745 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,423,264 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund, building fund and classroom facilities fund. The general fund had \$8,405,589 in revenues and \$7,623,774 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance increased \$781,815 from \$6,057,382 to \$6,839,197.
- The District's bond retirement fund had \$898,668 in revenues and \$892,836 in expenditures. During fiscal year 2008, the bond retirement's fund balance increased \$5,832 from \$367,827 to \$373,659.
- The District's building fund had \$78,230 in revenues and \$2,121,341 in expenditures. During fiscal year 2008, the building's fund balance decreased \$2,043,111 from \$2,488,053 to \$444,942.
- The District's classroom facilities fund had \$6,773,491 in revenues and \$9,804,041 in expenditures. During fiscal year 2008, the classroom facilities' fund balance decreased \$3,030,550 from \$7,690,790 to \$4,660,240.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, bond retirement fund, building fund and classroom facilities fund are by far the most significant funds, and the only funds reported as major funds.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund, building fund and classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-49 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2008 and 2007.

Net Assets		
	Governmental Activities 2008	Governmental Activities 2007
Assets		
Current and other assets	\$19,798,010	\$29,364,150
Capital assets, net	20,996,183	9,456,220
Total assets	40,794,193	38,820,370
Liabilities		
Current liabilities	4,784,690	4,555,955
Long-term liabilities	13,004,366	13,265,471
Total liabilities	17,789,056	17,821,426
Net Assets		
Invested in capital assets, net of related debt	13,917,826	5,218,780
Restricted	2,198,252	10,666,902
Unrestricted	6,889,059	5,113,262
Total net assets	\$23,005,137	\$20,998,944

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$23,005,137. Of this total \$2,198,252 is restricted in use.

At year-end, capital assets represented 51.47 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$13,917,826. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

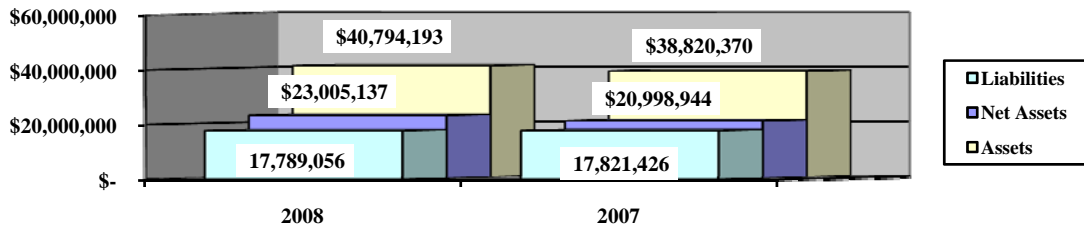
**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

A portion of the District's net assets, \$2,198,252, represents resources that are subject to external restriction on how they may be used. Of this total, \$1,656,146 is restricted for capital projects, \$335,938 is restricted for debt service and \$5,531 is restricted for other purposes.

The graph below shows the District's assets, liabilities and net assets at June 30, 2008 and 2007:

Governmental Activities



The table below shows the change in net assets for fiscal year 2008 and 2007.

Change in Net Assets		
	Governmental Activities 2008	Governmental Activities 2007
Revenues		
Program revenues:		
Charges for services and sales	\$ 2,313,311	\$ 1,638,589
Operating grants and contributions	785,403	823,126
Capital grants and contributions	84,031	14,745
General revenues:		
Property taxes	2,946,427	2,915,620
Grants and entitlements	4,571,303	16,377,852
Investment earnings	741,084	1,118,317
Other	164,450	159,742
Total revenues	11,606,009	23,047,991
Expenses		
Program expenses:		
Instruction:		
Regular	3,394,447	3,246,656
Special	1,474,382	1,410,818
Vocational	169,318	163,003
Other	685,693	629,223
Support services:		
Pupil	190,291	217,783
Instructional staff	295,062	256,975
Board of education	29,735	31,342
Administration	909,962	874,322
Fiscal	257,162	250,539
Operations and maintenance	584,716	449,437
Pupil transportation	404,264	359,446
Central	14,978	14,657

(Continued)

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

**Change in Net Assets
(Continued)**

	Governmental Activities 2008	Governmental Activities 2007
Operations of non-instructional services:		
Food service operations	319,125	301,251
Other non-instructional services	21,739	23,745
Extracurricular activities	245,156	214,283
Interest and fiscal charges	603,786	635,176
Total expenses	<u>9,599,816</u>	<u>9,078,656</u>
Change in net assets	2,006,193	13,969,335
Net assets at beginning of year	20,998,944	7,029,609
Net assets at end of year	<u>\$23,005,137</u>	<u>\$20,998,944</u>

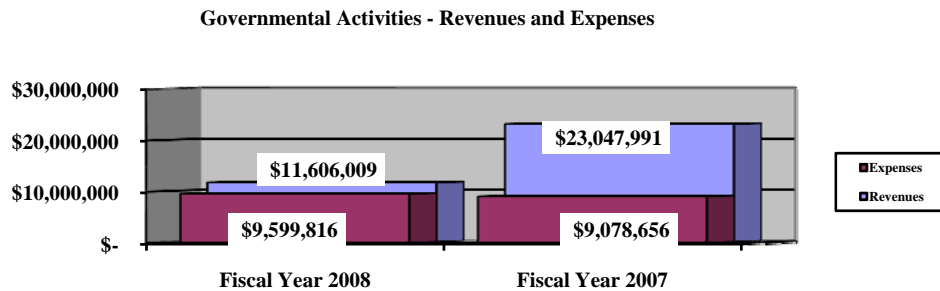
Governmental Activities

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 64.77 percent of total governmental revenue. The decrease in grants and entitlements is due to the receipt of the Ohio School Facilities Commission (OSFC) grants of \$12,299,896, for the District's building project in fiscal year 2007. The decrease in interest revenue is due to a decrease in interest rates and a decrease in accrued interest receivable.

Net assets of the District's governmental activities increased \$2,006,193. Total governmental expenses of \$9,599,816 were offset by program revenues of \$3,182,745 and general revenues of \$8,423,264. Program revenues supported 33.15 percent of the total governmental expenses.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,723,840 or 59.62 percent of total governmental expenses for fiscal 2008.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.



Total revenues decreased from 2007 due to the receipt of the OSFC grants of \$12,299,896, for the District's building project in fiscal year 2007.

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

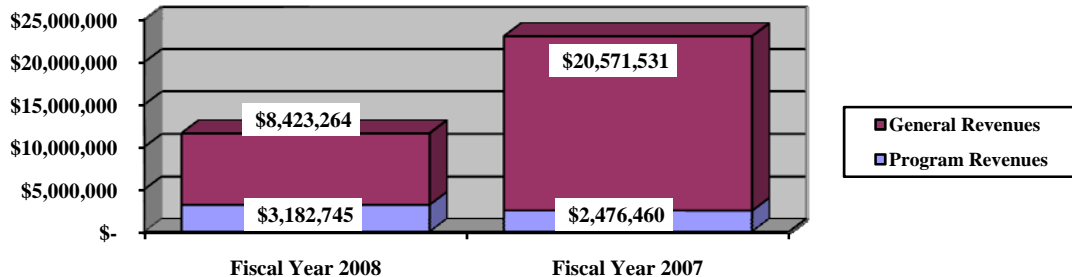
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$3,394,447	\$2,245,498	\$3,246,656	\$2,390,872
Special	1,474,382	75,954	1,410,818	366,946
Vocational	169,318	144,763	163,003	133,456
Other	685,693	685,693	629,223	629,223
Support services:				
Pupil	190,291	135,503	217,783	153,192
Instructional staff	295,062	266,170	256,975	239,821
Board of education	29,735	29,735	31,342	31,342
Administration	909,962	896,926	874,322	854,234
Fiscal	257,162	257,162	250,539	248,435
Operations and maintenance	584,716	503,816	449,437	441,092
Pupil transportation	404,264	398,733	359,446	350,701
Central	14,978	8,978	14,657	8,462
Operations of non-instructional services:				
Food service operations	319,125	11,664	301,251	(1,989)
Other non-instructional services	21,739	4,866	23,745	3,266
Extracurricular activities	245,156	147,824	214,283	117,967
Interest and fiscal charges	603,786	603,786	635,176	635,176
Total expenses	<u>\$9,599,816</u>	<u>\$6,417,071</u>	<u>\$9,078,656</u>	<u>\$6,602,196</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 55.07 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 66.85 percent. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.

Governmental Activities - General and Program Revenues



The decrease in general revenues is due to the receipt of the OSFC grants of \$12,299,896, for the District's building project in fiscal year 2007.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The District's Funds

The District's governmental funds reported a combined fund balance of \$13,549,167 which is lower than last year's fund balance of \$17,571,133. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance 6/30/2008	Fund Balance 6/30/2007	Increase (Decrease)	Percentage Change
General	\$ 6,839,197	\$ 6,057,382	\$ 781,815	12.91 %
Debt Service	373,659	367,827	5,832	1.59 %
Building	444,942	2,488,053	(2,043,111)	(82.12) %
Classroom Facilities	4,660,240	7,690,790	(3,030,550)	(39.40) %
Other Governmental	1,231,129	967,081	264,048	27.30 %
Total	\$13,549,167	\$17,571,133	(\$4,021,966)	(22.89) %

The decrease in fund balance in the building fund and classroom facilities fund are due to expenditures related to the Ohio School Facilities Commission construction project. Proceeds received in prior years are being spent on the construction project. The increase in fund balance in the other governmental funds is primarily due to an increase of \$203,343 in the permanent improvement fund (a nonmajor governmental fund). This fund receives tax revenue from a permanent improvement levy.

General Fund

The District's general fund balance increased \$781,815. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2008 Amount	2007 Amount	Increase (Decrease)	Percentage Change
Revenues				
Taxes	\$1,994,151	\$1,977,573	\$ 16,578	0.84 %
Earnings on investments	396,958	423,463	(26,505)	(6.26) %
Intergovernmental	4,354,707	4,277,384	77,323	1.81 %
Tuition	1,523,222	1,278,731	244,491	19.12 %
Other revenues	136,551	131,125	5,426	4.14 %
Total	8,405,589	8,088,276	317,313	3.92 %
Expenditures				
Instruction	5,201,131	4,952,418	248,713	5.02 %
Support services	2,296,884	2,331,545	(34,661)	(1.49) %
Extracurricular activities	121,759	110,117	11,642	10.57 %
Total	\$7,619,774	\$7,394,080	\$225,694	3.05 %

Tuition revenue increased 19.12 percent as a result of the District's participation in the open enrollment program. Earning on investments decreased due to a decrease in interest rates on the District's investments. The remaining revenues and expenditures were comparable to prior years.

Bond Retirement Fund

The District's bond retirement fund had \$898,668 in revenues and \$892,836 in expenditures. During fiscal year 2008, the bond retirement's fund balance increased \$5,832 from \$367,827 to \$373,659.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Building Fund

The District's building fund had \$78,230 in revenues and \$2,121,341 in expenditures. During fiscal year 2008, the building's fund balance decreased \$2,043,111 from \$2,488,053 to \$444,942. This decrease is due to construction expenditures for the Ohio School Facilities Commission project.

Classroom Facilities Fund

The District's classroom facilities fund had \$6,773,491 in revenues and \$9,804,041 in expenditures. During fiscal year 2008, the classroom facilities' fund balance decreased \$3,030,550 from \$7,690,790 to \$4,660,240. This decrease is due to construction expenditures for the Ohio School Facilities Commission project.

General Fund Budgeting Highlights

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

During the course of fiscal 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,359,972 and final budgeted revenues and other financing sources were \$8,439,972. Actual revenues and other financing sources for fiscal 2008 was \$8,460,146. This represents a \$20,174 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$7,925,375 were equal to the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$7,695,355, which was \$230,020 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the District had \$20,996,183 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2008 balances compared to 2007:

Capital Assets at June 30 (Net of Depreciation)		
	Governmental Activities	
	2008	2007
Land	\$ 130,323	\$ 130,323
Land improvements	143,480	183,421
Building and improvements	3,999,153	4,187,904
Furniture, fixtures and equipment	409,431	478,051
Vehicles	323,816	390,118
Construction in progress	15,989,980	4,086,403
Total	\$20,996,183	\$9,456,220

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The overall increase in capital assets of \$11,539,963 is primarily due to additions in construction in progress of \$11,903,577 related to the District building project, in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2008, the District had \$12,475,906 in general obligation bonds outstanding. Of this total, \$345,000 is due within one year and \$12,130,906 is due in greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End		
	Governmental Activities 2008	Governmental Activities 2007
General obligation bonds:		
Series 2005, refunding bonds	\$ 4,775,906	\$4,948,356
Series 2006, building improvement bonds	2,760,000	2,790,000
Series 2006, classroom facilities bonds	4,940,000	4,995,000
Total	<u>\$12,475,906</u>	<u>\$12,733,356</u>

See Note 9 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

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

The District is currently operating in the second year of a biennium budget. Fifty-one percent of the District's revenue source is from local funds, forty-four percent is from State funds and the remaining five percent is from Federal funds. The total expenditure per pupil was calculated at \$8,128.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Troy Bowersock, Treasurer, Lincolnview Local School District, 15945 Middle Point Road, Van Wert, Ohio 45891.

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**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$13,705,663
Investments	1,307,588
Cash with escrow agent	246,869
Cash with fiscal agent	1,534
Receivables:	
Taxes	2,906,591
Accounts	523,126
Intergovernmental	946,555
Accrued interest	51,700
Prepayments	10,644
Materials and supplies inventory	9,377
Unamortized bond issue costs	88,363
Capital assets:	
Land	130,323
Construction in progress	15,989,980
Depreciable capital assets, net	4,875,880
Total capital assets, net	20,996,183
Total assets	40,794,193
 Liabilities:	
Accounts payable	1,907
Contracts payable	1,013,912
Retainage payable	246,869
Accrued wages and benefits	611,694
Pension obligation payable	161,529
Intergovernmental payable	31,908
Accrued interest payable	44,289
Unearned revenue	2,672,582
Long-term liabilities:	
Due within one year	380,141
Due within more than one year	12,624,225
Total liabilities	17,789,056
 Net Assets:	
Invested in capital assets, net of related debt	13,917,826
Restricted for:	
Capital projects	1,656,146
Debt service	335,938
Classroom facilities maintenance	138,932
Locally funded programs	1,983
Federally funded programs	24,887
Student activities	26,903
Public school support	7,932
Other purposes	5,531
Unrestricted	6,889,059
Total net assets	\$23,005,137

See accompanying notes to the basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$3,394,447	\$1,134,208	\$14,741		(\$2,245,498)
Special	1,474,382	870,985	527,443		(75,954)
Vocational	169,318		24,555		(144,763)
Other	685,693				(685,693)
Support services:					
Pupil	190,291		54,788		(135,503)
Instructional staff	295,062	227	28,665		(266,170)
Board of education	29,735				(29,735)
Administration	909,962	3,600	9,436		(896,926)
Fiscal	257,162				(257,162)
Operations and maintenance	584,716	2,400		\$78,500	(503,816)
Pupil transportation	404,264			5,531	(398,733)
Central	14,978		6,000		(8,978)
Operation of non-instructional services:					
Food service operations	319,125	199,335	108,126		(11,664)
Other non-instructional services	21,739	9,933	6,940		(4,866)
Extracurricular activities	245,156	92,623	4,709		(147,824)
Interest and fiscal charges	603,786				(603,786)
Total governmental activities	\$9,599,816	\$2,313,311	\$785,403	\$84,031	(6,417,071)
General Revenues:					
Property taxes levied for:					
					1,999,926
					782,185
					30,801
					133,515
					4,270,861
					300,442
					741,084
					164,450
Total general revenues					8,423,264
Change in net assets					2,006,193
Net assets at beginning of year					20,998,944
Net assets at end of year					\$23,005,137

See accompanying notes to the basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Equity in pooled cash and cash equivalents	\$7,354,031	\$316,922	\$403,465	\$4,398,028	\$1,227,686	\$13,700,132
Investments			248,442	1,059,146		1,307,588
Cash with escrow agent				246,869		246,869
Cash with fiscal agent					1,534	1,534
Receivables:						
Taxes	1,968,019	776,113			162,459	2,906,591
Accounts	522,844				282	523,126
Intergovernmental	15,056			885,905	45,594	946,555
Accrued interest	1,578		9,523	40,599		51,700
Interfund loans	2,111					2,111
Prepayments	10,644					10,644
Materials and supplies inventory					9,377	9,377
Restricted assets:						
Equity in pooled cash and investments	5,531					5,531
Total assets	<u>9,879,814</u>	<u>1,093,035</u>	<u>661,430</u>	<u>6,630,547</u>	<u>1,446,932</u>	<u>19,711,758</u>
Liabilities:						
Accounts payable	1,057		77	373	400	1,907
Contracts payable			208,876	805,036		1,013,912
Retainage payable				246,869		246,869
Accrued wages and benefits	583,586				28,108	611,694
Compensated absences payable	16,829					16,829
Pension obligation payable	141,838				19,691	161,529
Intergovernmental payable	29,883				2,025	31,908
Interfund loan payable					2,111	2,111
Deferred revenue	456,949	6,568	7,535	918,029	14,169	1,403,250
Unearned revenue	1,810,475	712,808			149,299	2,672,582
Total liabilities	<u>3,040,617</u>	<u>719,376</u>	<u>216,488</u>	<u>1,970,307</u>	<u>215,803</u>	<u>6,162,591</u>
Fund Balances:						
Reserved for encumbrances	19,229		17	83	495	19,824
Reserved for materials and supplies inventory					9,377	9,377
Reserved for property tax unavailable for appropriation	140,604	56,737			11,781	209,122
Reserved for debt service		316,922				316,922
Reserved for prepayments	10,644					10,644
Reserved for school bus purchases	5,531					5,531
Unreserved, undesignated, reported in:						
General fund	6,663,189					6,663,189
Special revenue funds					327,471	327,471
Capital projects funds			444,925	4,660,157	882,005	5,987,087
Total fund balances	<u>6,839,197</u>	<u>373,659</u>	<u>444,942</u>	<u>4,660,240</u>	<u>1,231,129</u>	<u>13,549,167</u>
Total liabilities and fund balances	<u>\$9,879,814</u>	<u>\$1,093,035</u>	<u>\$661,430</u>	<u>\$6,630,547</u>	<u>\$1,446,932</u>	<u>\$19,711,758</u>

See accompanying notes to the basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008**

Total governmental fund balances		\$13,549,167
Amounts reported for governmental activities on the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,996,183
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$24,887	
Tuition	429,828	
Earnings on investments	41,237	
Intergovernmental revenue	907,298	
Total		1,403,250
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		(44,289)
Unamortized premiums on bond issuances are not recognized in the funds.		(614,370)
Unamortized bond issuance costs are not recognized in the funds.		88,363
Unamortized deferred charges on refundings are not recognized in the funds.		453,438
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(12,475,906)	
Compensated absences	(350,699)	
Total		(12,826,605)
Net assets of governmental activities		\$23,005,137

See accompanying notes to the basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
From local sources:						
Taxes	\$1,994,151	\$779,998			\$163,853	\$2,938,002
Tuition	1,523,222				9,933	1,533,155
Earnings on investments	396,958		\$78,230	\$378,112	34	853,334
Charges for services					199,335	199,335
Classroom materials and fees	23,095				32,875	55,970
Extracurricular					92,623	92,623
Other local revenues	113,456				144,987	258,443
Intergovernmental - Intermediate					2,315	2,315
Intergovernmental - State	4,354,707	118,670		6,395,379	77,749	10,946,505
Intergovernmental - Federal					483,387	483,387
Total revenue	<u>8,405,589</u>	<u>898,668</u>	<u>78,230</u>	<u>6,773,491</u>	<u>1,207,091</u>	<u>17,363,069</u>
Expenditures:						
Current:						
Instruction:						
Regular	3,175,901				47,279	3,223,180
Special	1,165,681				288,873	1,454,554
Vocational	173,856					173,856
Other	685,693					685,693
Support Services:						
Pupil	134,682				55,122	189,804
Instructional staff	251,502				32,649	284,151
Board of education	29,735					29,735
Administration	828,395				67,631	896,026
Fiscal	224,763	25,712			5,452	255,927
Operations and maintenance	485,119					485,119
Pupil transportation	333,710					333,710
Central	8,978				6,000	14,978
Operation of non-instructional services:						
Food service operations					297,314	297,314
Other non-instructional services					21,640	21,640
Extracurricular activities	121,759				96,113	217,872
Facilities acquisition and construction			2,121,341	9,804,041	28,970	11,954,352
Debt service:						
Principal retirement		330,000				330,000
Interest and fiscal charges		537,124				537,124
Total expenditures	<u>7,619,774</u>	<u>892,836</u>	<u>2,121,341</u>	<u>9,804,041</u>	<u>947,043</u>	<u>21,385,035</u>
Excess of revenues over (under) expenditures	<u>785,815</u>	<u>5,832</u>	<u>(2,043,111)</u>	<u>(3,030,550)</u>	<u>260,048</u>	<u>(4,021,966)</u>
Other financing sources (uses):						
Transfers in					4,000	4,000
Transfers (out)	(4,000)					(4,000)
Total other financing sources (uses)	<u>(4,000)</u>				<u>4,000</u>	
Net change in fund balances	781,815	5,832	(2,043,111)	(3,030,550)	264,048	(4,021,966)
Fund balances at beginning of year	6,057,382	367,827	2,488,053	7,690,790	967,081	17,571,133
Fund balances at end of year	<u>\$6,839,197</u>	<u>\$373,659</u>	<u>\$444,942</u>	<u>\$4,660,240</u>	<u>\$1,231,129</u>	<u>\$13,549,167</u>

See accompanying notes to the basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Net change in fund balances - total governmental funds (\$4,021,966)

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

Governmental funds report capital outlays as expenditures. However, in 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 exceeds depreciation expense in the current period.

Capital asset additions	\$11,920,575	
Current year depreciation	(379,927)	
Total	11,540,648	11,540,648

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities a loss is reported for each disposal. (685)

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

Taxes	8,425	
Tuition	429,828	
Earnings on investments	(112,216)	
Intergovernmental revenue	(6,083,097)	
Total	(5,757,060)	(5,757,060)

Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets. 330,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported on the statement of activities:

Decrease in accrued interest payable	941	
Accretion of interest on "capital appreciation" bonds	(72,550)	
Amortization of bond premiums	41,879	
Amortization of deferred charges on refunding	(30,909)	
Amortization of issuance costs	(6,023)	
Total	(66,662)	(66,662)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (18,082)

Change in net assets of governmental activities \$2,006,193

See accompanying notes to the basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:				
From local sources:				
Taxes	\$1,978,457	\$1,997,390	\$2,005,651	\$8,261
Tuition	1,500,524	1,514,883	1,521,676	6,793
Earnings on investments	441,673	445,900	397,899	(48,001)
Classroom materials and fees	25,170	25,411	24,089	(1,322)
Other local revenues	123,971	125,157	114,732	(10,425)
Intergovernmental - State	4,283,144	4,324,131	4,348,254	24,123
Total revenue	<u>8,352,939</u>	<u>8,432,872</u>	<u>8,412,301</u>	<u>(20,571)</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,298,490	3,298,490	3,232,096	66,394
Special	1,153,100	1,153,100	1,163,223	(10,123)
Vocational	172,800	172,800	167,132	5,668
Other	708,100	708,100	691,405	16,695
Support Services:				
Pupil	138,100	138,100	137,100	1,000
Instructional staff	247,600	247,600	246,617	983
Board of education	39,211	39,211	28,919	10,292
Administration	837,213	837,213	822,527	14,686
Fiscal	214,169	214,169	222,725	(8,556)
Operations and maintenance	628,971	628,971	499,048	129,923
Pupil transportation	355,481	355,481	346,734	8,747
Central	11,000	11,000	8,983	2,017
Extracurricular activities	121,140	121,140	122,735	(1,595)
Total expenditures	<u>7,925,375</u>	<u>7,925,375</u>	<u>7,689,244</u>	<u>236,131</u>
Excess of revenues under expenditures	427,564	507,497	723,057	215,560
Other financing sources (uses):				
Sale of capital assets			39,859	39,859
Refund of prior year expenditure	5,448	5,500	6,386	886
Transfers (out)			(4,000)	(4,000)
Advances in	1,585	1,600	1,600	
Advances (out)			(2,111)	(2,111)
Total other financing sources (uses)	<u>7,033</u>	<u>7,100</u>	<u>41,734</u>	<u>34,634</u>
Net change in fund balance	434,597	514,597	764,791	250,194
Fund balance at beginning of year	6,539,060	6,539,060	6,539,060	
Prior year encumbrances appropriated	35,125	35,125	35,125	
Fund balance at end of year	<u>\$7,008,782</u>	<u>\$7,088,782</u>	<u>\$7,338,976</u>	<u>\$250,194</u>

See accompanying notes to the basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$7,938	\$25,109
Accrued interest receivable	110	
Total assets	<u>8,048</u>	<u>25,109</u>
Liabilities:		
Due to students		25,109
Total liabilities		<u>\$25,109</u>
Net Assets:		
Held in trust for scholarships		
Expendable	3,048	
Nonexpendable	5,000	
Total net assets	<u>\$8,048</u>	

See accompanying notes to the basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions	\$1,250
Interest revenue	315
Total additions	1,565
 Deductions:	
Scholarships awarded	250
Change in net assets	1,315
Net assets at beginning of year	6,733
Net assets at end of year	\$8,048

See accompanying notes to the basic financial statements.

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**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE DISTRICT

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

The District is the 516th largest in the State of Ohio, among 896 schools, in terms of enrollment. It is staffed by 35 classified employees and 75 certified teaching personnel, who provide services to 889 students and other community members. The Board oversees the operations of the District's instructional/support facility.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 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. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "*The Financial Reporting Entity*", as amended by GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The following organizations are described due to their relationship to the District:

Jointly Governed Organizations

Northwest Ohio Area Computer Services Cooperative (NOACSC) - The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NOACSC is an association of public school districts within the boundaries of Allen, Hancock, 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 school districts.

The governing board of NOACSC consists of two representatives from each county, elected by majority vote of all charter member school districts within each county, plus one representative from the fiscal agent school district. Financial information is available from Ray Burden, Executive Director, at 645 South Main Street, Lima, Ohio 45804.

Western Buckeye Local Professional Development Consortium - The District is a participant in the Western Buckeye Local Professional Development Consortium (the "Consortium") which is a regional council of governments established to provide professional education license renewal standards and procedures.

The Consortium is governed by a board made up of one teacher from Crestview Local School District, one teacher from Lincolnview Local School District, two teachers from Van Wert City School District, two teachers collectively from the Western Buckeye Educational Service Center and the Thomas Edison Mental Retardation and Developmentally Disabled and one principal from the schools of the Consortium with terms of three years. 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 Western Buckeye Educational Service Center, 216 Central Avenue, Van Wert, Ohio.

Northwestern Ohio Educational Research Council, Inc. (NOERC) - The District is a participant in the Northwestern Ohio Educational Research Council (NOERC), which provides educational entities with a better understanding of their common educational problems, facilitates and conducts practical educational research, coordinates research among members and provides opportunities for training. 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.

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

The District also participates in two group purchasing pools for insurance, described in Note 11.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions typically 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 following are the District's major governmental 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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund - The bond retirement fund is used to account for the accumulation of property tax revenues for, and payment of, general obligation bonds used for the construction of a new elementary school and other necessary school facility improvements.

Building Fund - The building capital projects fund is used to account for all transactions related to the acquiring, constructing or improving buildings for the District.

Classroom Facilities Fund - The classroom facilities fund is used to account for the revenues and expenditures related to the construction of new District buildings.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities not already accounted for in the building fund or the classroom facilities fund; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) for food service operations.

2. Proprietary Funds

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

3. 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust fund accounts for student scholarships. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student managed activities.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation and Measurement Focus

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 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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the 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.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the 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** - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 also use the accrual basis of accounting.

1. Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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 District, available means expected to be received within sixty days of fiscal year-end. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donation. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a 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 to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

2. Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

3. Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue.

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, is not recognized in governmental funds.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function for the general fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Van Wert County Budget Commission for rate determination.

2. Estimated Resources:

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

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriations that covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" and "investments" on the basic financial statements.

During fiscal year 2008, investments were limited to non-negotiable certificates of deposit, U.S. government money market funds, State Treasury Asset Reserve of Ohio (STAR Ohio) and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The District had invested funds in STAR Ohio during fiscal year 2008. 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 shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the District, investment earnings are assigned to specific funds and to the general fund. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$396,958, which includes \$202,080 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the fund financial statements and the consumption method on the government wide financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2008, the District maintained a capitalization threshold of \$1,000. 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. The District does not possess infrastructure.

All reported 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>Estimated Lives</u>
Land improvements	30 years
Buildings and improvements	30 years
Furniture, fixtures and equipment	5 - 12 years
Vehicles	10 years

I. Interfund Assets and Liabilities

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

J. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation absences 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 that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2008 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absences liability is reported on the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in 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, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, debt service, property tax revenue unavailable for appropriation and school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. As of June 30, 2008, there were no net assets restricted by enabling legislation.

The amount restricted for other purposes includes amounts restricted by State statute for school bus purchases. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, 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 gain or 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 an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9.

O. Prepayments

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

P. Estimates

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

Q. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a school bus purchase reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 15. Restricted assets in the general fund represent cash and cash equivalent set-aside to establish school 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.

R. Interfund Activity

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 basic financial statements.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*", GASB Statement No. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*" and GASB Statement No. 50, "*Pension Disclosures*".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Non-major Governmental Funds</u>	<u>Deficit</u>
EMIS	\$ 45
SchoolNet professional development	3
Ohio reads	16
Title VI-B	8,272
Improving teacher quality	24

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio Local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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 District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Escrow Agent

At fiscal year-end, the District had \$246,869 on deposit in escrow accounts for retainage. This amount is not included in the total amount of deposits reported below. This amount is not part of the internal cash pool and is reported separately on the financial statements as "Cash with Escrow Agent".

B. Cash with Fiscal Agent

At fiscal year-end, the District had \$1,534 on deposit with a fiscal agent. This amount is not included in the total amount of deposits reported below. This amount is not part of the internal cash pool and is reported separately on the financial statements as "Cash with Fiscal Agent".

C. Cash on Hand

At fiscal year-end, the District had \$3,371 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

D. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$9,461,667. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2008, \$6,745,858 of the District's bank balance of \$9,645,808 was exposed to custodial risk as discussed below, while \$2,899,950 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

E. Investments

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturities 6 months or less</u>
Federal Home Loan Bank	\$ 500,940	\$ 500,940
Federal Home Loan Mortgage Corporation	806,648	806,648
STAR Ohio	1,338,141	1,338,141
U.S. Government money market	2,935,531	2,935,531
	<u>\$5,581,260</u>	<u>\$5,581,260</u>

The weighted average maturity of investments is 0.06 years.

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

Credit Risk: The District's investments in federal agency securities were rated AAA and Aaa by Standard and Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market fund an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
Federal Home Loan Bank	\$ 500,940	8.98
Federal Home Loan Mortgage Corporation	806,648	14.45
STAR Ohio	1,338,141	23.98
U.S. Government money market	2,935,531	52.59
	<u>\$5,581,260</u>	<u>100.00</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

F. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net assets as of June 30, 2008:

Cash and investments per note	
Carrying amount of deposits	\$ 9,461,667
Investments	5,581,260
Cash on hand	3,371
Cash with escrow agent	246,869
Cash with fiscal agent	1,534
Total	\$15,294,701

Cash and investments per statement of net assets	
Governmental activities	\$15,261,654
Private-purpose trust fund	7,938
Agency funds	25,109
Total	\$15,294,701

5. INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2008 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

Receivable fund	Payable fund	Amount
General	Non-major governmental funds	\$2,111

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

B. Interfund transfers for the fiscal year ended June 30, 2008, consisted of the following, as reported on the fund statements:

	Amount
Transfers to non-major governmental fund from:	
General fund	\$4,000

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and (2) to use unrestricted revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50 percent for property, including inventory. This percentage was reduced to 6.25 percent for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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 District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Van Wert County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary depending upon when the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. PROPERTY TAXES (continued)

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 reported 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 unearned revenue.

The amount available as an advance at June 30, 2008 was \$140,604 in the general fund, \$56,737 in the bond retirement fund, \$2,235 in the classroom facilities maintenance fund (a nonmajor governmental fund) and \$9,546 and in the permanent improvement fund (a nonmajor governmental fund). These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$152,104 in the general fund, \$61,446 in the bond retirement fund, \$2,424 in the classroom facilities maintenance fund (a nonmajor governmental fund) and \$10,348 and in the permanent improvement fund (a nonmajor governmental fund).

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential	\$62,854,810	89.68	\$64,159,080	91.38
Industrial/commercial and other real estate	1,813,210	2.59	2,121,500	3.02
Public utility personal	3,615,030	5.16	1,101,580	1.57
Tangible personal property	1,808,434	2.57	2,832,580	4.03
Total	\$70,091,484	100.00	\$70,214,740	100.00
 Tax rate per \$1,000 of assessed valuation	 \$62.05		 \$62.05	

7. RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities	
Taxes	\$2,906,591
Accounts	523,126
Intergovernmental	946,555
Accrued interest	51,700
Total receivables	\$4,427,972

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 06/30/07	Additions	Disposals	Balance 06/30/08
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 130,323			\$ 130,323
Construction in progress	4,086,403	\$11,903,577		15,989,980
Total capital assets, not being depreciated	<u>4,216,726</u>	<u>11,903,577</u>		<u>16,120,303</u>
Capital assets, being depreciated:				
Land improvements	691,216			691,216
Buildings and improvements	6,513,443			6,513,443
Furniture, fixtures and equipment	1,320,315	16,998	(\$44,448)	1,292,865
Vehicles	907,979			907,979
Total capital assets, being depreciated	<u>9,432,953</u>	<u>16,998</u>	<u>(44,448)</u>	<u>9,405,503</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(507,795)	(39,941)		(547,736)
Building and improvements	(2,325,539)	(188,751)		(2,514,290)
Furniture, fixtures and equipment	(842,264)	(84,933)	43,763	(883,434)
Vehicles	(517,861)	(66,302)		(584,163)
Total accumulated depreciation	<u>(4,193,459)</u>	<u>(379,927)</u>	<u>43,763</u>	<u>(4,529,623)</u>
Governmental activities capital assets, net	<u>\$9,456,220</u>	<u>\$11,540,648</u>	<u>(\$ 685)</u>	<u>\$20,996,183</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$157,665
Special	16,198
Vocational	610
Support Services:	
Pupil	3,426
Instructional staff	6,365
Administration	9,967
Fiscal	125
Operations and maintenance	48,838
Pupil transportation	70,897
Extracurricular activities	44,282
Food service operations	21,554
Total depreciation expense	<u>\$379,927</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. LONG-TERM OBLIGATIONS

During fiscal year 2008, the following activity occurred in long-term obligations:

	<u>Balance at 6/30/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2008</u>	<u>Amounts Due Within One Year</u>
General obligation bonds:					
Series 2005, refunding					
Current interest bonds	\$ 4,505,000		(\$245,000)	\$ 4,260,000	\$255,000
Capital appreciation bonds	311,173			311,173	
Accreted interest	132,183	\$ 72,550		204,733	
Series 2006, building improvement					
Current interest bonds	2,790,000		(30,000)	2,760,000	30,000
Series 2006, classroom facilities					
Current interest bonds	4,995,000		(55,000)	4,940,000	60,000
Total G.O. Bonds	<u>12,733,356</u>	<u>72,550</u>	<u>(330,000)</u>	<u>12,475,906</u>	<u>345,000</u>
Compensated absences	360,213	49,910	(42,595)	367,528	35,141
Total	<u>\$13,093,569</u>	<u>\$122,460</u>	<u>(\$372,595)</u>	<u>12,843,434</u>	<u>\$380,141</u>
 Add: Unamortized premium on bonds	 656,249			 614,370	
Less: Unamortized deferred charges on refunding	 (484,347)			 (453,438)	
	<u>\$13,265,471</u>			<u>\$13,004,366</u>	

Series 2005, Refunding Bonds - On March 1, 2005, the District issued general obligation school improvement refunding bonds. The refunding issue is comprised of both current interest bonds, par value \$5,000,000 and capital appreciation bonds, par value \$311,173. The interest rate on the current interest bonds range from 3 to 4.75 percent. The capital appreciation bonds mature on December 1, 2012, December 1, 2013, December 1, 2014 and December 1, 2015, with an average interest rate of 15.774 percent, at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date.

The accreted value at maturity for the capital appreciation bonds is \$1,250,000. Total accreted interest of \$204,733 has been included in the statement of net assets at June 30, 2008. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final stated maturity of the current interest bonds is December 1, 2023.

The 1997 School Improvement bonds in the amount of \$5,400,215 were refunded through the purchase of U.S. Treasury obligations having the amounts and maturities to generate a cash flow sufficient to meet the principal and interest payments due over the life of the remaining bonds. The investments and the uninvested cash are being held in an irrevocable trust. The 1997 School Improvement bonds are considered defeased (in-substance) and accordingly, have been removed from the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$556,365. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. LONG-TERM OBLIGATIONS (continued)

Series 2006, Building Improvement Bonds - On December 28, 2005 the District issued \$2,832,558 in private placement bonds for the purpose of making improvements to buildings in the District. The bond issue included term bonds in the amount of \$2,832,558 at an interest rate of 4.58 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The bonds were issued with a final maturity of December 1, 2033. The bonds will be retired from the bond retirement fund. As of June 30, 2008, the District had \$226,409 of unspent proceeds remaining on this bond issuance.

Series 2006, Classroom Facilities Bonds - On February 22, 2006 the District issued \$5,038,976 in private placement bonds for the purpose of constructing a new building, under authority of Ohio Revised Code Section 3317.22. The bond issue included term bonds in the amount of \$5,038,976 at an interest rate of 4.63 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The bonds were issued with a final maturity of December 1, 2033. The bonds will be retired from the bond retirement fund. As of June 30, 2008, the District had \$5,038,976 of unspent proceeds remaining on this bond issuance.

Compensated Absences - Compensated absences are paid from the fund which the employee is paid which include the general fund and the following nonmajor governmental funds: food service, special enterprise and Title VI-B.

The scheduled payments of principal and interest on debt outstanding at June 30, 2008 are as follows:

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 345,000	\$ 525,610	\$ 870,610			
2010	355,000	513,658	868,658			
2011	380,000	501,060	881,060			
2012	395,000	486,291	881,291			
2013	145,000	474,725	619,725	\$ 94,236	\$210,764	\$ 305,000
2014 - 2018	1,580,000	2,231,023	3,811,023	216,937	728,063	945,000
2019 - 2023	3,420,000	1,641,786	5,061,786			
2024 - 2028	2,365,000	922,703	3,287,703			
2029 - 2034	2,975,000	425,525	3,400,525			
Total	<u>\$11,960,000</u>	<u>\$7,722,381</u>	<u>\$19,682,381</u>	<u>\$311,173</u>	<u>\$938,827</u>	<u>\$1,250,000</u>

Legal Debt Margin - The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006.

In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. LONG-TERM OBLIGATIONS (continued)

The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities and that insufficient capacity exists within the 9 percent limit to finance additional facilities, the State Department of Education may declare that a District is a "special needs" District. This permits the incurrence of additional debt based upon projected 5-year growth of the District's assessed valuation. The District was determined to be a "special needs" District. In addition, the unvoted net debt of a District cannot exceed 0.1 percent of the total assessed value of property. On June 30, 2008, the District had no unvoted debt.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 190 days for eligible personnel. Upon retirement, payment is made for 25 percent of accrued, but unused sick leave credit up to a maximum of 30 days. Certified staff will receive 3.33 percent of all days in excess of 120 days to a maximum of \$1,000 for the second tier calculation.

B. Health Care Benefits

The District provides medical, dental, vision and life insurance to all employees through the Van Wert Area School Insurance Group (Note 11). Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies depending on the terms of the union contract.

11. RISK MANAGEMENT

The 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 2008, the District contracted for the following insurance coverage through the Phelan Insurance Agency:

Commercial property contents - replacement cost (\$2,500 deductible)	\$17,685,681
General liability (\$2,000,000 aggregate)	1,000,000
Per occurrence (includes \$4,000,000 umbrella)	5,000,000
Total per year	6,000,000
Automobile liability	1,000,000
Errors and omissions (\$2,500 deductible)	1,000,000

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2007.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. RISK MANAGEMENT (Continued)

Group Purchasing Pools

Ohio School Boards Association Workers Compensation Group Rating Plan (GRP) - The District participates in a group rating program (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the Ohio School Board Association as a group insurance purchasing pool. The GRP is intended to reduce premiums for the participants. The workers' compensation experience of the participating schools is calculated as one experience and a common premium rate is applied to all schools 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 educational entities that can meet the GRP's selection criteria. Each participant must apply annually. The GRP provides the participants with a centralized program for processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees and perform its obligations in accordance with the terms of the agreement. Each year, the participating school pays an enrollment fee to the GRP to cover the costs of administering the program. The firms of Gates, McDonald and Co. provides administrative, cost control and actuarial services to the GRP.

Van Wert Area School Insurance Group (VWASIG) - 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 to provide life insurance and pay medical/surgical, prescription drug, and dental benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member schools and is administered by Anthem Blue Cross Blue Shield through a Third Party Administrator, Pinnacle Advisory Group. Each member appoints a representative to the Board of Trustees. The Board of Trustees is the legislative and managerial body of VWASIG. Financial information can be obtained from the Van Wert City School District, 205 West Crawford Street, Van Wert, Ohio 45891.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

12. PENSION PLANS

A. School Employees Retirement System

Plan Description - The 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 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. PENSION PLANS (continued)

A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$74,220, \$76,870 and \$76,215, respectively; 52.10 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, 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.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. PENSION PLANS (continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$493,473, \$479,561 and \$468,119, respectively; 83.12 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$3,255 made by the District and \$6,752 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, all members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

13. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$12,029.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$45,898, \$40,663 and \$38,269, respectively; 52.10 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$5,348, \$5,227 and \$6,066, respectively; 52.10 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$37,959, \$36,889 and \$36,010, respectively; 83.12 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

14. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- d) Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

14. BUDGETARY BASIS OF ACCOUNTING (continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

	Net Change in Fund Balance
	General Fund
Budget basis	\$764,791
Net adjustment for revenue accruals	(6,712)
Net adjustment for expenditure accruals	49,184
Net adjustment for other sources/uses	(45,734)
Adjustment for encumbrances	20,286
GAAP basis	\$781,815

15. STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	Materials/ Textbooks	Capital Acquisition
Set-aside balance as of June 30, 2007	(\$72,339)	(\$7,871,534)
Current year set-aside requirement	143,148	143,148
Permanent improvement levy proceeds offset		(143,148)
Qualifying disbursements	(221,216)	
Total	(\$150,407)	(\$7,871,534)
Balance carried forward to FY 2009	(\$150,407)	(\$7,871,534)

The District had qualifying disbursements during the year that reduced the textbooks/instructional materials and capital acquisition set-aside amounts below zero. The textbook/instructional materials extra amount may be used to reduce the set-aside requirements of future years. The District had qualifying bond proceeds, in prior years, that reduced the capital acquisition set aside amount to below zero. This amount may be used to reduce the capital acquisition set aside requirement in future years.

The District also received monies restricted for school bus purchases. A schedule of the governmental fund restricted assets at June 30, 2008 follows:

Amount restricted for school bus purchases	\$5,531
--	---------

16. CONTINGENCIES

Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

17. ENDOWMENTS

The District's private-purpose trust fund included a donor restricted endowment. The endowment, in the amount of \$5,000, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$3,048 for 2008. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used for the special education program.

18. SERVICE CONTRACT COMMITMENTS

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

19. CONTRACTUAL COMMITMENTS

As a result of the Ohio School Facilities Project that was in progress at June 30, 2008, the District had the following outstanding contractual commitments at fiscal year-end:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Amount Outstanding</u>
Loopmaster International Alvada Construction Co., Inc.	Geothermal Wells	\$ 640,400	\$ 608,094	\$ 32,306
Shambaugh & Son L.P. Smith-Boughan, Inc.	General Trades Fire Protection Plumbing HVAC/Temperature Controls	10,055,595 473,408 1,007,037	7,859,041 396,653 858,692	2,196,554 76,755 148,345
Frost & Company Koester Electric, Inc. Microman, Inc.	Electrical/Technology Data Network	2,534,796 1,930,541 209,258	1,773,646 1,443,729	761,150 486,812 209,258
Applied Technologies Valley Consolidated Elec. SecurCom, Inc.	Telephone System Video Distribution CCTV System	56,971 360,022 50,700		56,971 360,022 50,700
Elements IV Interiors Continental	Academic Furnishings Media, Cafeteria, and Administrative Furniture	418,315 199,796		418,315 199,796
Quality Environmental	Abatement	21,635		21,635
Totals		<u>\$17,958,474</u>	<u>\$12,939,855</u>	<u>\$5,018,619</u>

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**LINCOLNVIEW LOCAL CHOOOL DISTRICT
VAN WERT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
(Passed through Ohio Department of Education)					
Nutrition Cluster:					
School Breakfast Program	10.553	\$8,920		\$8,920	
National School Lunch Program	10.555	98,229		98,229	
Total Nutrition Cluster		<u>107,149</u>		<u>107,149</u>	
Food Donation	10.550		\$31,452		\$31,452
Total U.S. Department of Agriculture		<u>107,149</u>	<u>31,452</u>	<u>107,149</u>	<u>31,452</u>
U.S. DEPARTMENT OF EDUCATION					
(Passed through Ohio Department of Education)					
Title I Grants to Local Educational Agencies	84.010	164,781		166,539	
Special Education_Grants to States	84.027	186,594		186,021	
Safe and Drug Free Schools	84.186	2,133		2,133	
State Grants for Innovative Programs	84.298	11,062		11,062	
Education Technology State Grants	84.318	410		432	
Improving Teacher Quality State Grants	84.367	11,791		13,571	
Total U.S. Department of Education		<u>376,771</u>		<u>379,758</u>	
Total Federal Assistance		<u>\$483,920</u>	<u>\$31,452</u>	<u>\$486,907</u>	<u>\$31,452</u>

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 entitlement 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 In</u>	<u>Transfer Out</u>
State Grants for Innovative Programs #84.298	\$9,000	
Improving Teacher Quality #84.367		(\$9,000)
Special Education Grants #84.027 FY2008	\$ 98	
Special Education Grants #84.027 FY2007		(\$ 98)

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

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

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$13,969,335 which represents a 198.72 percent increase from 2006. The significant increase is due to the Ohio School Facilities Commission grant related to the construction of the new school buildings and current year additions to construction in progress.
- General revenues accounted for \$20,571,531 in revenue or 89.26 percent of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$2,476,460 or 10.74 percent of total revenues of \$23,047,991.
- The District had \$9,078,656 in expenses related to governmental activities; \$2,476,460 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,571,531 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$8,088,276 in revenues and \$7,394,080 in expenditures. During fiscal year 2007, the general fund's fund balance increased \$694,169 from \$5,363,186 to \$6,057,382.
- The District's classroom facilities fund had \$5,669,861 in revenues and \$3,083,951 in expenditures. During fiscal year 2007, the classroom facilities's fund balance increased \$2,585,910 from \$5,104,880 to \$7,690,790.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and classroom facilities fund are by far the most significant funds, and the only funds reported as major funds.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?"

The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 63-64 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements - The analysis of the District's major governmental funds begins on page 59. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and classroom facilities fund.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 65-69 of this report.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 70 and 71. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 73-97 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2007 and 2006.

	Net Assets	
	Governmental Activities 2007	Governmental Activities 2006
Assets		
Current and other assets	\$29,364,150	\$18,205,658
Capital assets	9,456,220	5,951,286
Total assets	38,820,370	24,156,944
Liabilities		
Current liabilities	4,555,955	3,627,523
Long-term liabilities	13,265,471	13,499,812
Total liabilities	17,821,426	17,127,335
Net Assets		
Invested in capital assets, net of related debt	5,218,780	1,146,224
Restricted	10,666,902	1,239,392
Unrestricted	5,113,262	4,643,993
Total net assets	\$20,998,944	\$ 7,029,609

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$20,998,944. Of this total, \$10,666,902 is restricted in use.

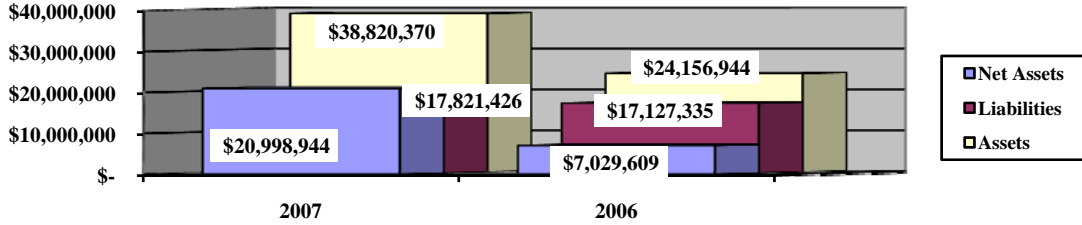
At year-end, capital assets represented 24.4 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$5,218,780. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

A portion of the District's net assets, \$10,666,902, represents resources that are subject to external restriction on how they may be used. Of this total, \$10,190,546 is restricted for capital projects, \$326,978 is restricted for debt service and \$149,378 is restricted for other purposes.

Governmental Activities



The table below shows the change in net assets for fiscal year 2007 and 2006.

Change in Net Assets		
	Governmental Activities 2007	Governmental Activities 2006
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,638,589	\$1,488,909
Operating grants and contributions	823,126	836,524
Capital grants and contributions	14,745	382,281
General revenues:		
Property taxes	2,915,620	2,852,352
Grants and entitlements	16,377,852	3,982,602
Investment earnings	1,118,317	349,997
Other	159,742	522,243
Total revenues	23,047,991	10,414,908
Program expenses:		
Instruction:		
Regular	3,246,656	3,276,489
Special	1,410,818	1,319,747
Vocational	163,003	160,275
Other	629,223	680,705
Support services:		
Pupil	217,783	219,188
Instructional staff	256,975	242,500
Board of education	31,342	30,212
Administration	874,322	845,798
Fiscal	250,539	220,117
Operations and maintenance	449,437	608,766
Pupil transportation	359,446	302,174
Central	14,657	15,385

(Continued)

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

**Change in Net Assets
(Continued)**

	Governmental Activities 2007	Governmental Activities 2006
Operations of non-instructional services:		
Food service operations	301,251	303,081
Other non-instructional services	23,745	
Extracurricular activities	214,283	239,401
Interest and fiscal charges	635,176	428,583
Total expenses	<u>9,078,656</u>	<u>8,892,421</u>
Change in net assets	13,969,335	1,522,487
Net assets at beginning of year	<u>7,029,609</u>	<u>5,507,122</u>
	<u>\$20,998,944</u>	<u>\$7,029,609</u>

The increase in grants and entitlements is due to Ohio School Facilities Commission grants of \$12,299,896, for the District's building project. The increase in investment earnings is a result of federal agency securities held by the District for its building project.

Governmental Activities

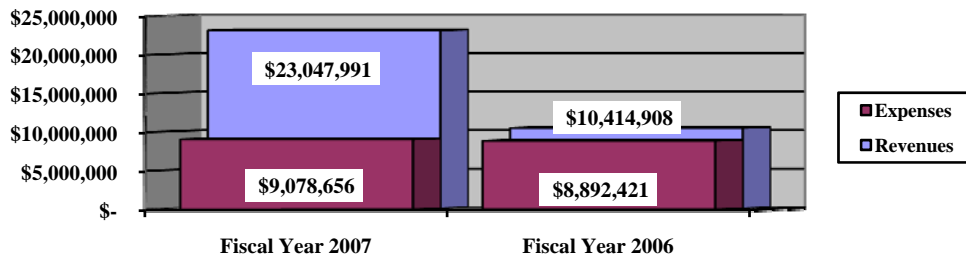
Net assets of the District's governmental activities increased \$13,969,335. Total governmental expenses of \$9,078,656 were offset by program revenues of \$2,476,460 and general revenues of \$20,571,531. Program revenues supported 27.28 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 83.71 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,449,700 or 60.03 percent of total governmental expenses for fiscal 2007.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.

Governmental Activities - Revenues and Expenses



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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

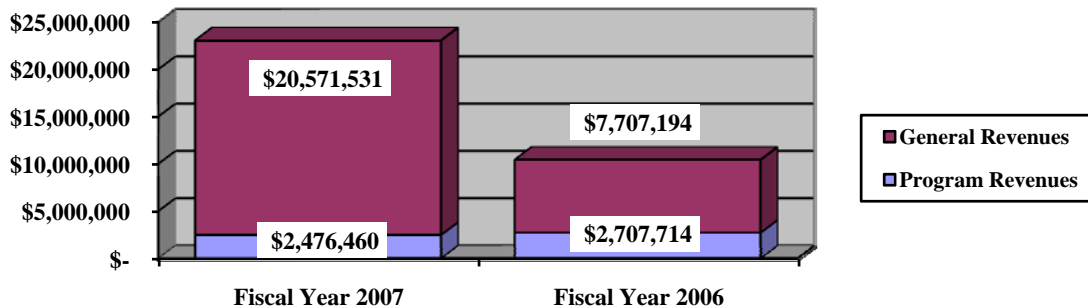
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Program expenses				
Instruction:				
Regular	\$3,246,656	\$2,390,872	\$3,276,489	\$1,693,295
Special	1,410,818	366,946	1,319,747	669,746
Vocational	163,003	133,456	160,275	129,244
Other	629,223	629,223	680,705	680,705
Support services:				
Pupil	217,783	153,192	219,188	216,547
Instructional staff	256,975	239,821	242,500	225,855
Board of education	31,342	31,342	30,212	30,212
Administration	874,322	854,234	845,798	836,484
Fiscal	250,539	248,435	220,117	220,117
Operations and maintenance	449,437	441,092	608,766	608,766
Pupil transportation	359,446	350,701	302,174	296,558
Central	14,657	8,462	15,385	9,385
Program expenses				
Operations of non-instructional services:				
Food service operations	301,251	(1,989)	303,081	(8,794)
Other non-instructional services	23,745	3,266		
Extracurricular activities	214,283	117,967	239,401	148,004
Interest and fiscal charges	635,176	635,176	428,583	428,583
Total expenses	<u>\$9,078,656</u>	<u>\$6,602,196</u>	<u>\$8,892,421</u>	<u>\$6,184,707</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 64.60 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 72.72 percent. The District's taxpayers and grants and entitlements, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2007 and 2006.

Governmental Activities - General and Program Revenues



**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

The District's Funds

The District's governmental funds reported a combined fund balance of \$17,571,133 which is higher than last year's fund balance of \$14,398,679. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance 6/30/2007	Fund Balance 6/30/2006	Increase (Decrease)	Percentage Change
General	\$ 6,057,382	\$ 5,363,186	\$ 694,196	12.94 %
Classroom Facilities	7,690,790	5,104,880	2,585,910	50.66 %
Other Governmental	3,822,961	3,930,613	(107,652)	(2.74) %
Total	<u>\$17,571,133</u>	<u>\$14,398,679</u>	<u>\$3,172,454</u>	22.05 %

General Fund

The District's general fund balance increased \$694,196. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2007 Amount	2006 Amount	Increase (Decrease)	Percentage Change
Revenues				
Taxes	\$1,977,573	\$2,047,486	(\$ 69,913)	(3.41) %
Earnings on investments	423,463	245,425	178,038	72.54 %
Intergovernmental	4,277,384	4,233,405	43,979	1.04 %
Tuition	1,278,731	1,161,848	116,883	10.06 %
Other revenues	131,125	145,634	(14,509)	(9.96) %
Total	<u>8,088,276</u>	<u>7,833,798</u>	<u>254,478</u>	3.25 %
Expenditures				
Instruction	4,952,418	4,776,689	175,729	3.68 %
Support services	2,331,545	2,307,111	24,434	1.06 %
Extracurricular activities	110,117	101,408	8,709	8.59 %
Total	<u>\$7,394,080</u>	<u>\$7,185,208</u>	<u>\$208,872</u>	2.91 %

Tuition revenue increased 10.06 percent as a result of the District's participation in the open enrollment program. Earning on investments increased as the District's investments and related interest rates increased. The remaining revenues and expenditures were comparable to prior years.

Classroom Facilities Fund

The District's classroom facilities fund had \$5,669,861 in revenues and \$3,083,951 in expenditures. During fiscal year 2007, the classroom facilities fund balance increased \$2,585,910 from \$5,104,880 to \$7,690,790.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

General Fund Budgeting Highlights

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

During the course of fiscal 2007, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,197,900 and final budgeted revenues and other financing sources were \$8,315,945. Actual revenues and other financing sources for fiscal 2007 was \$8,333,194. This represents a \$17,249 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$7,798,823 were equal to the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$7,411,780, which was \$387,043 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$9,456,220 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

Capital Assets at June 30 (Net of Depreciation)		
	<u>2007</u>	<u>2006</u>
Land	\$ 130,323	\$ 130,323
Land improvements	183,421	223,362
Building and improvements	4,187,904	4,359,920
Furniture, fixtures and equipment	478,051	546,421
Vehicles	390,118	316,705
Construction in progress	4,086,403	374,555
Total	<u>\$9,456,220</u>	<u>\$5,951,286</u>

The overall increase in capital assets of \$3,504,934 is primarily due to additions in construction in progress of \$3,711,848 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

Debt Administration

At June 30, 2007, the District had \$12,733,356 in general obligation bonds outstanding. Of this total, \$330,000 is due within one year and \$12,403,356 is due in greater than one year. The following table summarizes the bonds outstanding.

	Governmental Activities 2007	Governmental Activities 2006
General obligation bonds	\$12,733,356	\$12,987,542

See Note 9 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

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

The District is currently operating in the second year of a biennium budget. Fifty-one percent of the District's revenue source is from Local funds, forty-four percent is from State funds and the remaining five percent is from Federal funds. The total expenditure per pupil was calculated at \$8,128.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Troy Bowersock, Treasurer, Lincolnview Local School District, 15945 Middle Point Road, Van Wert, Ohio 45891.

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**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$11,855,334
Investments	7,078,294
Cash with escrow agent	13,673
Cash with fiscal agent	1,365
Receivables:	
Taxes	2,966,150
Accounts	94,268
Intergovernmental	7,043,963
Accrued interest	198,075
Prepayments	10,857
Materials and supplies inventory	7,785
Unamortized bond issue costs	94,386
Capital assets:	
Land	130,323
Construction in progress	4,086,403
Depreciable capital assets, net	5,239,494
Total capital assets, net	9,456,220
Total assets	38,820,370
 Liabilities:	
Accounts payable	5,428
Contracts payable	961,229
Retainage payable	13,673
Accrued wages and benefits	603,560
Pension obligation payable	155,846
Intergovernmental payable	47,623
Accrued interest payable	45,230
Unearned revenue	2,723,366
Long-term liabilities:	
Due within one year	372,685
Due within more than one year	12,892,786
Total liabilities	17,821,426
 Net Assets:	
Invested in capital assets, net of related debt	5,218,780
Restricted for:	
Capital projects	10,190,546
Debt service	326,978
Classroom facilities maintenance	79,742
Locally funded programs	6,849
State funded programs	2,755
Federally funded programs	20,789
Student activities	25,684
Public school support	13,559
Unrestricted	5,113,262
Total net assets	\$20,998,944

See accompanying notes to the basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$3,246,656	\$850,945	\$4,839		(\$2,390,872)
Special	1,410,818	479,345	564,527		(366,946)
Vocational	163,003		29,547		(133,456)
Other	629,223				(629,223)
Support services:					
Pupil	217,783		64,591		(153,192)
Instructional staff	256,975	949	16,205		(239,821)
Board of education	31,342				(31,342)
Administration	874,322	13,472	6,616		(854,234)
Fiscal	250,539		2,104		(248,435)
Operations and maintenance	449,437	2,345		\$6,000	(441,092)
Pupil transportation	359,446			8,745	(350,701)
Central	14,657		6,195		(8,462)
Operation of non-instructional services:					
Food service operations	301,251	186,617	116,623		1,989
Other non-instructional services	23,745	12,700	7,779		(3,266)
Extracurricular activities	214,283	92,216	4,100		(117,967)
Interest and fiscal charges	635,176				(635,176)
Total governmental activities	<u>\$9,078,656</u>	<u>\$1,638,589</u>	<u>\$823,126</u>	<u>\$14,745</u>	(6,602,196)
General Revenues:					
Property taxes levied for:					
					1,978,758
					774,217
					30,494
					132,151
					4,077,956
					12,299,896
					1,118,317
					159,742
Total general revenues					<u>20,571,531</u>
Change in net assets					13,969,335
Net assets at beginning of year					<u>7,029,609</u>
Net assets at end of year					<u>\$20,998,944</u>

See accompanying notes to the basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$6,574,359	\$3,573,944	\$1,707,031	\$11,855,334
Investments		4,884,023	2,194,271	7,078,294
Cash with escrow agent		13,673		13,673
Cash with fiscal agent			1,365	1,365
Receivables:				
Taxes	2,012,494		953,656	2,966,150
Accounts	93,434		834	94,268
Intergovernmental		6,980,842	63,121	7,043,963
Accrued interest	27,311	117,827	52,937	198,075
Interfund loans	1,600			1,600
Prepayments	10,857			10,857
Materials and supplies inventory			7,785	7,785
Total assets	<u>8,720,055</u>	<u>15,570,309</u>	<u>4,981,000</u>	<u>29,271,364</u>
Liabilities:				
Accounts payable	421		5,007	5,428
Contracts payable		797,437	163,792	961,229
Retainage payable		13,673		13,673
Accrued wages and benefits	566,631		36,929	603,560
Compensated absences payable	27,596			27,596
Pension obligation payable	137,785		18,061	155,846
Intergovernmental payable	43,306		4,317	47,623
Interfund loan payable			1,600	1,600
Deferred revenue	37,709	7,068,409	54,192	7,160,310
Unearned revenue	1,849,225		874,141	2,723,366
Total liabilities	<u>2,662,673</u>	<u>7,879,519</u>	<u>1,158,039</u>	<u>11,700,231</u>
Fund Balances:				
Reserved for encumbrances	34,734	3,609	27,114	65,457
Reserved for materials and supplies inventory			7,785	7,785
Reserved for property tax unavailable for appropriation	152,104		74,218	226,322
Reserved for debt service			306,381	306,381
Reserved for prepayments	10,857			10,857
Unreserved, undesignated, reported in:				
General fund	5,859,687			5,859,687
Special revenue funds			260,320	260,320
Capital projects funds		7,687,181	3,147,143	10,834,324
Total fund balances	<u>6,057,382</u>	<u>7,690,790</u>	<u>3,822,961</u>	<u>17,571,133</u>
Total liabilities and fund balance	<u>\$8,720,055</u>	<u>\$15,570,309</u>	<u>\$4,981,000</u>	<u>\$29,271,364</u>

See accompanying notes to the basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

Total governmental fund balances		\$17,571,133
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		9,456,220
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$16,462	
Accrued interest	153,453	
Intergovernmental revenue	<u>6,990,395</u>	
Total		7,160,310
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		(45,230)
Unamortized premiums on bond issuance is not recognized in the funds.		(656,249)
Unamortized bond issuance costs are not recognized in the funds.		94,386
Unamortized deferred charges on refundings are not recognized in the funds.		484,347
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	12,733,356	
Compensated absences	<u>332,617</u>	
Total		<u>(13,065,973)</u>
Net assets of governmental activities		<u><u>\$20,998,944</u></u>

See accompanying notes to the basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$1,977,573		\$936,246	\$2,913,819
Tuition	1,278,731		12,700	1,291,431
Earnings on investments	423,463	\$350,807	190,632	964,902
Charges for services			186,617	186,617
Classroom materials and fees	26,452		29,711	56,163
Extracurricular			92,216	92,216
Other local revenues	104,673		85,831	190,504
Intergovernmental - Intermediate			2,383	2,383
Intergovernmental - State	4,277,384	5,319,054	187,850	9,784,288
Intergovernmental - Federal			500,072	500,072
Total revenue	<u>8,088,276</u>	<u>5,669,861</u>	<u>2,224,258</u>	<u>15,982,395</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,074,875		35,973	3,110,848
Special	1,083,695		313,424	1,397,119
Vocational	164,625			164,625
Other	629,223			629,223
Support Services:				
Pupil	164,960		53,500	218,460
Instructional staff	208,903		41,806	250,709
Board of education	31,342			31,342
Administration	781,569		72,378	853,947
Fiscal	207,816		28,467	236,283
Operations and maintenance	496,957			496,957
Pupil transportation	431,536			431,536
Central	8,462		6,195	14,657
Operation of non-instructional services:				
Food service operations			275,570	275,570
Other non-instructional services			23,698	23,698
Extracurricular activities	110,117		91,955	202,072
Facilities acquisition and construction		3,083,951	524,197	3,608,148
Debt service:				
Principal retirement			316,534	316,534
Interest and fiscal charges			548,213	548,213
Total expenditures	<u>7,394,080</u>	<u>3,083,951</u>	<u>2,331,910</u>	<u>12,809,941</u>
Net change in fund balances	694,196	2,585,910	(107,652)	3,172,454
Fund balances at beginning of year	5,363,186	5,104,880	3,930,613	14,398,679
Fund balances at end of year	<u>\$6,057,382</u>	<u>\$7,690,790</u>	<u>\$3,822,961</u>	<u>\$17,571,133</u>

See accompanying notes to the basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

Net change in fund balances - total governmental funds \$3,172,454

**Amounts reported for governmental activities in the
statement of activities are different because:**

Governmental funds report capital outlays as expenditures. However, in 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 exceeds depreciation expense in the current period.

Capital asset additions	\$3,881,565	
Current year depreciation	<u>(376,353)</u>	
Total		3,505,212

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities a loss is reported for each disposal. (278)

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

Taxes	1,801	
Intergovernmental revenue	6,910,342	
Accrued interest	<u>153,453</u>	
Total		7,065,596

Repayment of bond principal is an expenditure in the governmental funds funds but the repayment reduces long-term liabilities in the statement of net assets. 316,534

Premiums on refunding bonds are recognized as an other financing source in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities 41,880

Bond issuance costs are recognized as expenditures in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities. (6,024)

Deferred charges on refundings are recognized as expenditures in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities. (30,909)

In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accreted interest on the capital appreciation bonds.

Accrued interest	(29,562)	
Accreted interest	<u>(62,348)</u>	
Total		(91,910)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (3,220)

Change in net assets of governmental activities \$13,969,335

See accompanying notes to the basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
From local sources:				
Taxes	\$1,953,359	\$1,981,500	\$2,017,668	\$36,168
Tuition	1,434,211	1,454,873	1,486,284	31,411
Earnings on investments	394,319	400,000	422,522	22,522
Classroom materials and fees	22,095	22,413	25,458	3,045
Other local revenues	103,077	104,562	99,595	(4,967)
Intergovernmental - State	4,286,839	4,348,597	4,277,384	(71,213)
Total revenue	<u>8,193,900</u>	<u>8,311,945</u>	<u>8,328,911</u>	<u>16,966</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,085,099	3,085,099	3,032,147	52,952
Special	1,091,500	1,091,500	1,080,631	10,869
Vocational	166,600	166,600	163,913	2,687
Other	661,968	661,968	620,977	40,991
Support Services:				
Pupil	167,850	167,850	165,211	2,639
Instructional staff	207,109	207,109	207,296	(187)
Board of education	39,562	39,562	32,015	7,547
Administration	815,191	815,191	795,220	19,971
Fiscal	218,949	218,949	228,358	(9,409)
Operations and maintenance	599,128	599,128	521,981	77,147
Pupil transportation	474,617	474,617	446,034	28,583
Central	10,050	10,050	8,737	1,313
Extracurricular activities	111,200	111,200	107,584	3,616
Debt service:				
Interest and fiscal charges			76	(76)
Total expenditures	<u>7,648,823</u>	<u>7,648,823</u>	<u>7,410,180</u>	<u>238,643</u>
Excess of revenues under expenditures	545,077	663,122	918,731	255,609
Other financing sources (uses):				
Refund of prior year expenditure	4,000	4,000	4,283	283
Advances (out)	(150,000)	(150,000)	(1,600)	148,400
Total other financing sources (uses)	<u>(146,000)</u>	<u>(146,000)</u>	<u>2,683</u>	<u>148,683</u>
Net change in fund balance	399,077	517,122	921,414	404,292
Fund balance at beginning of year	5,578,923	5,578,923	5,578,923	
Prior year encumbrances appropriated	38,723	38,723	38,723	
Fund balance at end of year	<u>\$6,016,723</u>	<u>\$6,134,768</u>	<u>\$6,539,060</u>	<u>\$404,292</u>

See accompanying notes to the basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$6,614	\$21,292
Accrued interest receivable	119	
Total assets	6,733	21,292
Liabilities:		
Due to students		21,292
Total liabilities		\$21,292
Net Assets:		
Held in trust for scholarships:		
Expendable	1,733	
Nonexpendable	5,000	
Total net assets	\$6,733	

See accompanying notes to the basic financial statements.

LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY

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

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions	\$5,250
Interest revenue	198
Total additions	5,448
Deductions:	
Scholarships awarded	250
Change in net assets	5,198
Net assets at beginning of year	1,535
Net assets at end of year	\$6,733

See accompanying notes to the basic financial statements.

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**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

1. DESCRIPTION OF THE DISTRICT

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

The District is the 517th largest in the State of Ohio, among 876 schools, in terms of enrollment. It is staffed by 34 classified employees and 76 certified teaching personnel, who provide services to 901 students and other community members. The Board oversees the operations of the District's instructional/support facility.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental funds provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "*The Financial Reporting Entity*", as amended by GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The following organizations are described due to their relationship to the District:

Jointly Governed Organizations

Northwest Ohio Area Computer Services Cooperative (NOACSC) - The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NOACSC is an association of public school districts within the boundaries of Allen, Hancock, 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 school districts.

The governing board of NOACSC consists of two representatives from each county, elected by majority vote of all charter member school districts within each county, plus one representative from the fiscal agent school district. Financial information is available from Ray Burden, Executive Director, at 645 South Main Street, Lima, Ohio 45804.

Western Buckeye Local Professional Development Consortium - The District is a participant in the Western Buckeye Local Professional Development Consortium (the "Consortium") which is a regional council of governments established to provide professional education license renewal standards and procedures. The Consortium is governed by a board made up of one teacher from Crestview Local School District, one teacher from Lincolnview Local School District, two teachers from Van Wert City School District, two teachers collectively from the Western Buckeye Educational Service Center and the Thomas Edison Mental Retardation and Developmentally Disabled, and one principal from the schools of the Consortium with terms of three years. 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 Western Buckeye Educational Service Center, 216 Central Avenue, Van Wert, Ohio.

Northwest Ohio Special Education Regional Resource Center (SERRC) - The District is a participant in the Northwest Ohio Special Education Regional Resource Center (SERRC), which provides services to families, educators, and agencies regarding educational law, curriculum and instruction for students with disabilities. 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 Bowling Green State University, one representative from the University of Toledo, one representative from a community school, and any other representative 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 representative on the Governing Board. Financial information can be obtained from the Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

Northwestern Ohio Educational Research Council, Inc. (NOERC) - The District is a participant in the Northwestern Ohio Educational Research Council (NOERC), which provides educational entities with a better understanding of their common educational problems, facilitates and conducts practical educational research, coordinates research among members and provides opportunities for training. NOERC serves a twenty-five county area in northwest Ohio.

The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools, and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District also participates in two group purchasing pools for insurance, described in Note 11.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions typically 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 following are the District's major governmental 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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (c) for grants and other resources whose use is restricted to a particular purpose; and (d) for food service operations.

2. Proprietary Funds - Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

3. 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust fund accounts for student scholarships. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student managed activities.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation and Measurement Focus

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 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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the 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.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the 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

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 also use the accrual basis of accounting.

- 1. Revenues - Exchange and Non-exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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 District, available means expected to be received within sixty days of fiscal year-end. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donation. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a 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 to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

- 2. Unearned Revenue and Deferred Revenue** - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

- 3. Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue.

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function for the General fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Van Wert County Budget Commission for rate determination.

2. Estimated Resources:

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

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, all supplemental appropriations were legally enacted.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriations that covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the basic financial statements. 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 were limited to negotiable certificates of deposit and repurchase agreements, State Treasury Asset Reserve of Ohio (STAR Ohio) and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Negotiable certificates of deposit are reported at cost.

The District had invested funds in STAR Ohio during fiscal 2007. 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.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the District, investment earnings are assigned to specific funds and to the general fund. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$423,463, which includes \$73,682 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the fund financial statements and the consumption method on the government wide financial statements. On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates it does not constitute available spendable resources even though it is a component of net current assets. Inventory consists of expendable supplies held for consumption, donated and purchased food.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2007, the District maintained a capitalization threshold of \$1,000. 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. The District does not possess infrastructure.

All reported 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>Estimated Lives</u>
Land improvements	30 years
Buildings and improvements	30 years
Furniture, fixtures and equipment	5 - 12 years
Vehicles	10 years

I. Interfund Assets and Liabilities

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

J. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation absences 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 that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absences liability is reported on the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in 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, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, debt service and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. As of June 30, 2007, there were no net assets restricted by enabling legislation. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the financial statements.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

For advance refunding 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 gain or 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 an addition to or reduction of the face amount of the new debt. On the governmental fund financial statements, deferred charges, issuance costs and bond premiums are recognized in the current period.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Prepayments

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

P. Estimates

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

Q. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors are also reported as restricted.

R. Interfund Activity

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 basic financial statements.

3. ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

<u>Non-major Governmental Funds</u>	<u>Deficit</u>
EMIS	\$ 73
Entry Year Program	1,600
SchoolNet Professional Development	4
Title VI-B	682
Improving Teacher Quality	32

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

4. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board 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 moneys 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 are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio; or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

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

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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Escrow Agent

At fiscal year-end, \$13,673 was on deposit in the District's escrow account and is not included in the total amount of deposits reported below; this amount is reported on the financial statements as "Cash with Escrow Agent".

B. Cash with Fiscal Agent

At fiscal year-end, \$1,365 was on deposit with the District's fiscal agent and is not included in the total amount of deposits reported below; this amount is reported on the financial statements as "Cash with Fiscal Agent".

C. Cash on Hand

At fiscal year-end, the District had \$3,381 in undeposited cash on hand which is included on the financial statements as part of "Equity in Pooled Cash and Cash Equivalents."

D. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$10,305,003. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2007, \$9,894,216 of the District's bank balance of \$10,334,123 was exposed to custodial risk as discussed below, while \$439,907 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits were collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. 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.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

The District has no deposit policy for custodial 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 one hundred five percent of the deposits being secured.

E. Investments

As of June 30, 2007, the District had the following investments with a weighted average maturity of .73 years.

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>
Federal Home Loan Bank Federal Home Loan Mortgage Corporation	\$3,271,921	\$ 781,976	\$ 498,440	\$1,991,505
Federal National Mortgage Association	1,894,497		749,520	1,144,977
STAR Ohio	1,911,876	609,622	903,630	398,624
	<u>1,574,856</u>	<u>1,574,856</u>		
	<u>\$8,653,150</u>	<u>\$2,966,454</u>	<u>\$2,151,590</u>	<u>\$3,535,106</u>

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

Credit Risk: The District's investments, except for STAR Ohio, were rated AAA and AAA by Standard and Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Federal Home Loan Bank	\$3,271,921	37.81
Federal Home Loan Mortgage Corporation	1,894,497	21.89
Federal National Mortgage Association	1,911,876	22.09
STAR Ohio	<u>1,574,856</u>	<u>18.21</u>
	<u>\$8,653,150</u>	<u>100.00</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

The School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payments for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from custodian by the treasurer, governing board, or qualified trustee."

F. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net assets as of June 30, 2007:

Cash and Investments per footnote	
Carrying amount of deposits	\$10,305,003
Investments	8,653,150
Cash on hand	3,381
Cash with escrow	13,673
Cash with fiscal	1,365
Total	<u>\$18,976,572</u>

Cash and investments per Statement of Net Assets	
Governmental activities	\$18,948,666
Private-purpose trust fund	6,614
Agency funds	21,292
Total	<u>\$18,976,572</u>

5. INTERFUND ASSETS AND LIABILITIES

Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Non-major governmental funds	<u>\$1,600</u>

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

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

6. PROPERTY TAXES

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

6. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. For 2007, this percentage will be reduced to 12.5 percent, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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 District prior to June 30. House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Van Wert County. The County Auditor periodically advances to the 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 tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is 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 reported 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 unearned revenue.

The amount available as an advance at June 30, 2007 was \$152,104 in the general \$61,446 in the bond retirement, \$2,424 in the classroom facilities maintenance and \$10,348 in the permanent improvement funds. These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2006 was \$192,199 in the general, \$77,589 in the bond retirement, \$3,064 in the classroom facilities maintenance and \$13,082 in the permanent improvement funds.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

6. PROPERTY TAXES (Continued)

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

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

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential	\$62,074,700	87.20	\$62,854,810	89.68
Industrial/commercial and other real estate	1,880,470	2.64	1,813,210	2.59
Public utility personal	3,721,930	5.23	3,615,030	5.16
Tangible personal property	3,511,793	4.93	1,808,434	2.57
Total	\$71,188,893	100.00	\$70,091,484	100.00
Tax rate per \$1,000 of assessed valuation	\$62.05		\$62.05	

7. RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. 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. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities	
Taxes	\$ 2,966,150
Accounts	94,268
Intergovernmental	7,043,963
Accrued interest	198,075
Total receivables	\$10,302,456

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

8. CAPITAL ASSETS

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

Governmental Activities	Balance 06/30/06	Additions	Disposals	Balance 06/30/07
Capital assets, not being depreciated:				
Land	\$ 130,323			\$ 130,323
Construction in progress	374,555	\$3,711,848		4,086,403
Total capital assets, not being depreciated	504,878	3,711,848		4,216,726
Capital assets, being depreciated:				
Land improvements	726,086	-	(\$34,870)	691,216
Buildings and improvements	6,501,378	16,371	(4,306)	6,513,443
Furniture, fixtures and equipment	1,359,971	17,346	(57,002)	1,320,315
Vehicles	842,959	136,000	(70,980)	907,979
Total capital assets, being depreciated	9,430,394	169,717	(167,158)	9,432,953

(Continued)

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

8. CAPITAL ASSETS (Continued)

	Balance 6/30/2006	Additions	Disposals	Balance 6/30/2007
Less: accumulated depreciation:				
Land improvements	(502,724)	(39,941)	34,870	(507,795)
Building and improvements	(2,141,458)	(188,387)	4,306	(2,325,539)
Furniture, fixtures and equipment	(813,550)	(85,438)	56,724	(842,264)
Vehicles	(526,254)	(62,587)	70,980	(517,861)
Total accumulated depreciation	<u>(3,983,986)</u>	<u>(376,353)</u>	<u>166,880</u>	<u>(4,193,459)</u>
Governmental activities capital assets, net	<u>\$5,951,286</u>	<u>\$3,505,212</u>	<u>(\$ 278)</u>	<u>\$9,456,220</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$159,657
Special	16,177
Vocational	611
Support Services:	
Pupil	3,426
Instructional staff	6,366
Administration	9,967
Fiscal	125
Operations and maintenance	49,794
Pupil transportation	66,339
Extracurricular activities	21,554
Food service operations	42,337
Total depreciation expense	<u>\$376,353</u>

9. LONG-TERM OBLIGATIONS

During fiscal year 2007, the following activity occurred in long-term obligations:

	Balance 6/30/06	Additions	Reductions	Balance 6/30/07	Amounts Due Within One Year
General obligation bonds:					
Series 2005, refunding					
Current interest bonds	\$ 4,735,000		(\$230,000)	\$ 4,505,000	\$245,000
Capital appreciation bonds	311,173			311,173	
Accreted interest	69,835	\$ 62,348		132,183	
Series 2006, building improvement					
Current interest bonds	2,832,558		(42,558)	2,790,000	30,000
Series 2006, classroom facilities					
Current interest bonds	5,038,976		(43,976)	4,995,000	55,000
Total G.O. Bonds	<u>12,987,542</u>	<u>62,348</u>	<u>(316,534)</u>	<u>12,733,356</u>	<u>330,000</u>
Compensated absences	329,397	104,556	(73,740)	360,213	42,685
Total	<u>13,316,939</u>	<u>\$166,904</u>	<u>(\$390,274)</u>	<u>13,093,569</u>	<u>\$372,685</u>
Add: Unamortized premium on bonds	698,129			656,249	
Less: Unamortized deferred charges on refunding	(515,256)			(484,347)	
	<u>\$13,499,812</u>			<u>\$13,265,471</u>	

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

9. LONG-TERM OBLIGATIONS (continued)

Series 2005, Refunding Bonds - On March 1, 2005, the District issued general obligation school improvement refunding bonds. The refunding issue is comprised of both current interest bonds, par value \$5,000,000, and capital appreciation bonds, par value \$311,173. The interest rate on the current interest bonds range from 3 to 4.75 percent. The capital appreciation bonds mature on December 1, 2012, December 1, 2013, December 1, 2014 and December 1, 2015, with an average interest rate of 15.774 percent, at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,250,000. Total accreted interest of \$132,183 has been included in the statement of net assets at June 30, 2007. The 1997 School Improvement bonds in the amount of \$5,400,215 were refunded and fully funded through the purchase of U.S. Treasury obligations with the amounts and maturities to generate a cash flow sufficient to meet the principal and interest payments due over the life of the remaining bonds. The investments and the uninvested cash are being held in an irrevocable trust.

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

Series 2006, Building Improvement Bonds - On December 28, 2005 the District issued \$2,832,558 in private placement bonds for the purpose of making improvements to buildings in the District. The bond issue included term bonds in the amount of \$2,832,558 at an interest rate of 4.58 percent. The bonds were issued with a final maturity of December 1, 2033. The bonds will be retired from the bond retirement fund (a nonmajor governmental fund).

Series 2006, Classroom Facilities Bonds - On February 22, 2006 the District issued \$5,038,976 in private placement bonds for the purpose of constructing a new building, under authority of Ohio Revised Code Section 3317.22. The bond issue included term bonds in the amount of \$5,038,976 at an interest rate of 4.63 percent. The bonds were issued with a final maturity of December 1, 2033. The bonds will be retired from the bond retirement fund (a non-major governmental fund).

Compensated Absences - Compensated absences are paid from the fund which the employee is paid which include the general fund and the following nonmajor governmental funds: Food Service, Special Enterprise and Title VI-B.

The scheduled payments of principal and interest on debt outstanding at June 30, 2007 are as follows:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 330,000	\$ 537,147	\$ 867,147			
2009	345,000	525,610	870,610			
2010	355,000	513,658	868,658			
2011	380,000	501,060	881,060			
2012	395,000	486,291	881,291			
2013-2017	1,170,000	2,292,226	3,462,226	\$311,173	\$938,827	\$1,250,000
2018-2022	3,195,000	1,793,046	4,988,046			
2023-2027	2,730,000	1,038,195	3,768,195			
2028-2032	2,335,000	524,461	2,859,461			
2033-2034	1,055,000	47,834	1,102,834			
Total	<u>\$12,290,000</u>	<u>\$8,259,528</u>	<u>\$20,549,528</u>	<u>\$311,173</u>	<u>\$938,827</u>	<u>\$1,250,000</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

9. LONG-TERM OBLIGATIONS (continued)

Legal Debt Margin - The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District.

The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The Ohio Revised Code further provides that when a board of education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9 percent limit to finance additional facilities, the State Department of Education may declare that District a "special needs" District. This permits the incurrence of additional debt based upon projected 5-year growth of the school district's assessed valuation. The District was determined to be a "special needs" District. In addition, the unvoted net debt of a school district cannot exceed 0.1 percent of the total assessed value of property. On June 30, 2007 the District had no unvoted debt.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 190 days for eligible personnel. Upon retirement, payment is made for 25 percent of accrued, but unused sick leave credit up to a maximum of 30 days. Certified staff will receive 3.33 percent of all days in excess of 120 days to a maximum of \$1,000 for the second tier calculation.

B. Health Care Benefits

The District provides medical, dental, vision and life insurance to all employees through the Van Wert Area Schools Insurance Group (Note 11). Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies depending on the terms of the union contract.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

11. RISK MANAGEMENT

The 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 District contracted for the following insurance coverage through the Phelan Insurance Agency:

Commercial property contents - replacement cost (\$2,500 deductible)	\$17,235,389
General liability (\$2,000,000 aggregate)	1,000,000
Per occurrence (includes \$4,000,000 umbrella)	5,000,000
Total per year	6,000,000
Automobile liability	1,000,000
Errors and omissions (\$2,500 deductible)	1,000,000

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2006.

Group Purchasing Pools

Ohio School Boards Association Workers Compensation Group Rating Plan (GRP) - The District participates in a group rating program (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the Ohio School Board Association as a group insurance purchasing pool. The GRP is intended to reduce premiums for the participants. The workers' compensation experience of the participating schools is calculated as one experience and a common premium rate is applied to all schools 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 educational entities that can meet the GRP's selection criteria. Each participant must apply annually. The GRP provides the participants with a centralized program for processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees and perform its obligations in accordance with the terms of the agreement. Each year, the participating school pays an enrollment fee to the GRP to cover the costs of administering the program. The firm of Gates, McDonald and Co. provides administrative, cost control and actuarial services to the GRP.

During fiscal year 2007, the District was deemed ineligible to participate in the GRP due to one lost time claim for a cafeteria worker. However, Ohio School Boards Association (OSBA) and Gates, McDonald and Co. have developed a program (Group II Program) to assist the District in managing its workers' compensation costs to potentially improve the District's workers' compensation program.

Van Wert Area School Insurance Group (VWASIG) - 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 to provide life insurance and pay medical/surgical, prescription drug, and dental benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member schools and is administered by Anthem Blue Cross Blue Shield through a Third Party Administrator, Pinnacle Advisory Group. Each member appoints a representative to the Board of Trustees. The Board of Trustees is the legislative and managerial body of VWASIG. Financial information can be obtained from the Van Wert City School District, 205 West Crawford Street, Van Wert, Ohio 45891.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

12. DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

The 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 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the 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. For fiscal year 2006, 10.58 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 statutory maximum amounts, by the SERS' Retirement Board.

The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$82,097, \$82,281 and \$82,124; 49.53 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$41,432 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The 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 43215-3371 or by calling (614) 227-4090 or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

12. DEFINED BENEFIT PENSION PLAN (Continued)

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.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The 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 recommendation 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 District's required contributions to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$479,561, \$468,119, and \$451,719, respectively; 83.33 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$79,957 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2007 were \$15 made by the District and \$4,107 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, all members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

13. POST-EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified 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 costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of 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.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

13. POST-EMPLOYMENT BENEFITS (continued)

For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$36,889 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Health Care Stabilization Fund was \$4.1 billion. For the fiscal year ended June 30, 2007 (the latest information available), net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 123,934 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 premium for health care. 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, a decrease of .10 percent from 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. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$40,663 to fund health care benefits, including the surcharge.

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 for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

14. BUDGETARY BASIS OF ACCOUNTING

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

- a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

14. BUDGETARY BASIS OF ACCOUNTING (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	
	General Fund
Budget basis	\$921,414
Net adjustment for revenue accruals	(240,635)
Net adjustment for expenditure accruals	(19,025)
Net adjustment for other sources/uses	(2,683)
Adjustment for encumbrances	35,125
GAAP basis	\$694,196

15. STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	Textbooks	Capital Acquisition
Set-aside balance as of June 30, 2006	(\$34,703)	(\$7,871,534)
Current year set-aside requirement	132,441	132,441
Permanent improvement levy proceeds offset		(132,441)
Qualifying disbursements	(170,077)	
Total	(72,339)	(7,871,534)
Balance carried forward to fiscal year 2008	(\$72,339)	(\$7,871,534)

The District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement of future fiscal years. The District had qualifying bond proceeds during fiscal year 2006 that reduced the capital acquisitions set aside amount below zero. This amount may be used to reduce the set aside requirement in future years.

16. ENDOWMENTS

The District's private-purpose trust fund included a donor restricted endowment. The endowment, in the amount of \$5,000, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$1,733 for 2007. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used for the special education program.

17. SERVICE CONTRACT COMMITMENTS

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

18. CONTRACTUAL COMMITMENTS

As a result of the Ohio School Facilities Project that was in progress at June 30, 2007, the District had the following outstanding contractual commitments at fiscal year-end:

Vendor	Project	Contract Amount	Amount Paid	Amount Outstanding
Loopmaster International	Geothermal Wells	\$ 640,400	\$ 498,028	\$ 142,372
ACI Construction Co., Inc.	General Trades	9,557,538	894,047	8,663,491
Shambaugh & Son L.P.	Fire Protection	467,760		467,760
Smith-Boughan, Inc.	Plumbing	951,200	196,846	754,354
Frost & Company	HVAC/Temperature Controls Electrical/Technology	2,473,722	99,532	2,374,190
Koester Electric, Inc.	Cabling	1,856,368		1,856,368
Totals		<u>\$15,946,988</u>	<u>\$1,688,453</u>	<u>\$14,258,535</u>

19. CONTINGENCIES

Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincolnview Local School District, Van Wert County, (the District), as of and for the years ended June 30, 2008 and 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 17, 2009. 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 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 District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 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 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 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.

We noted certain matters that we reported to the District's management in a separate letter dated February 17, 2009.

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Compliance and Other Matters

As part of reasonably assuring whether the 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 District's management in a separate letter dated February 17, 2009.

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

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

Mary Taylor, CPA
Auditor of State

February 17, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Lincolnview Local School District, Van Wert County, (the 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, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The 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 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 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 District's compliance with those requirements.

In our opinion, Lincolnview Local School District, Van Wert County, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

**Internal Control Over Compliance
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

February 17, 2009

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control 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 weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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):	Title VI B – Special Education Grants to States (CFDA#84.027) Title I – Grants to Local Educational Agencies (CFDA#84.010)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE



Mary Taylor, CPA
Auditor of State

LINCOLNVIEW LOCAL SCHOOL DISTRICT

VAN WERT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 17, 2009**