



Dave Yost • Auditor of State



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis – June 30, 2011 .....	9
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2011 .....	10
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds - June 30, 2011 .....	11
Statement of Receipts, Disbursements, and Changes in Fund Balances Cash Basis – Governmental Funds – For Fiscal Year Ended June 30, 2011 .....	12
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual – Budget Basis – General Fund For the Fiscal Year Ended June 30, 2011 .....	13
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds June 30, 2011 .....	14
Statement of Changes in Fiduciary Net Assets – Cash Basis Fiduciary Funds – For the Fiscal Year Ended June 30, 2011.....	15
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2011 .....	17
Schedule of Federal Awards Receipts and Expenditures – For the Fiscal Year Ended June 30, 2011 .....	49
Notes to the Schedule of Federal Awards Receipts and Expenditures – For the Fiscal Year Ended June 30, 2011 .....	50
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required By <i>Governmental Auditing Standards</i> .....	51
Independent Accountants' Report on Compliance with Requirements Applicable To Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	53
Schedule of Findings.....	55
Schedule of Prior Audit Findings.....	58
Corrective Action Plan.....	59
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	61

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Van Wert City School District, Van Wert County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Van Wert City School District, Van Wert County, Ohio, as of June 30, 2011, and the respective changes in cash financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during 2011, the School District adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



**Dave Yost**  
Auditor of State

March 13, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

The discussion and analysis of Van Wert City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Highlights for fiscal year 2011 are as follows:

- In total, net assets increased \$8,043,815, or 92 percent. Receipts increased 35.8 percent while disbursements only increased 7.9 percent, therefore the increase in receipts provided for the increase in net assets.
- The School District's general receipts, those being primarily property taxes, income taxes, and unrestricted state entitlements, were 61.5 percent of the total cash received during the fiscal year.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

The School District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

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

**Reporting the School District as a Whole**

The *Statement of Net Assets and the Statement of Activities* reflect how the School District did financially during fiscal year 2011, within the limitations of cash basis accounting. The *Statement of Net Assets* presents the cash balance of the governmental activities of the School District at fiscal year-end. The *Statement of Activities* compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(Continued)**

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the *Statement of Net Assets and the Statement of Activities*, all of the School District's activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, food service, extracurricular activities, capital outlay, and debt service disbursements.

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

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

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

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2011 and fiscal year 2010:

<b>Table 1</b>			
<b>Net Assets</b>			
<b>Governmental Activities</b>			
	<b>2011</b>	<b>2010 Restated</b>	<b>Change</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$16,793,447	\$8,749,632	\$8,043,815
<b>Net Assets:</b>			
Restricted	10,726,505	2,311,160	8,415,345
Unrestricted	6,066,942	6,438,472	(371,530)
Total Net Assets	\$16,793,447	\$8,749,632	\$8,043,815

As mentioned previously, total net assets increased 92 percent from the prior fiscal year. Much of this increase can be attributed to resources obtained through the Ohio School Facilities Commission related to the school construction activities and additional grant resources. Most of these resources are reflected in the increase in restricted net assets.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2011 and fiscal year 2010.

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>		
	<b>2011</b>	<b>2010</b>	<b>Change</b>
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services	\$1,921,652	\$1,384,660	\$ 536,992
Operating Grants, Contributions, and Interest	1,978,895	3,084,836	(1,105,941)
Capital Grants, Contributions, and Interest	9,186,087	131	9,185,956
Total Program Receipts	<u>13,086,634</u>	<u>4,469,627</u>	<u>8,617,007</u>
<b>General Receipts:</b>			
<b>Property Taxes Levied for:</b>			
General Purposes	4,780,972	4,868,786	(87,814)
Debt Service	1,310,202	1,331,463	(21,261)
Permanent Improvements	328,316	334,490	(6,174)
Income Taxes Levied for General Purposes	2,186,395	2,088,605	97,790
Payment in Lieu of Taxes	198,188	195,045	3,143
Grants and Entitlements	11,568,921	11,505,523	63,398
Proceeds from the Issuance of Notes	450,348	55,585	394,763
Interest	50,775	34,682	16,093
All Other	16,952	145,140	(128,188)
Total General Receipts	<u>20,891,069</u>	<u>20,559,319</u>	<u>331,750</u>
Total Receipts	<u>33,977,703</u>	<u>25,028,946</u>	<u>8,948,757</u>
<b>Program Disbursements:</b>			
Instruction	13,993,104	13,351,139	641,965
Support Services	7,432,147	7,052,929	379,218
Food Service	862,081	852,003	10,078
Extracurricular Activities	542,016	547,870	(5,854)
Capital Outlay	1,255,449	383,307	872,142
Repayment of Debt	1,849,091	1,845,836	3,255
Total Disbursements	<u>25,933,888</u>	<u>24,033,084</u>	<u>1,900,804</u>
Increase in Net Assets	<u>\$8,043,815</u>	<u>\$ 995,862</u>	<u>\$7,047,953</u>

In total, receipts increased 35.8 percent from the prior fiscal year. Program receipts increased 192.8 percent due primarily to the receipt of grant monies for the Ohio School Facilities project. The general receipt of grant monies is less than one percent of the previous year's receipts of grants and entitlements.

In total, disbursements increased 7.9 percent from fiscal year 2010. A portion of this increase is related to the ongoing construction projects as well as additional staff to support an increased student population. The major program disbursements for governmental activities are for instruction, which are 54 percent of total governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation are 11.1 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant disbursement at 7.3 percent. Therefore, 72.4 percent of the School District's disbursements are directly related to the activities of providing facilities and delivering education.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(Continued)**

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
<b>Instruction:</b>				
Regular	\$10,479,264	\$10,592,823	\$ 9,364,105	\$ 9,548,451
Special	2,745,640	2,757,236	1,408,846	462,206
Vocational	2,555	1,080	(4,476)	(5,899)
Student Intervention Services	765,645		765,645	
<b>Support Services:</b>				
Pupils	1,148,265	955,090	1,095,983	945,921
Instructional Staff	1,337,921	1,227,431	1,292,262	1,227,189
Board of Education	56,730	43,763	56,730	43,763
Administration	1,765,829	1,647,385	1,645,454	1,647,385
Fiscal	555,554	546,214	555,554	539,414
Operation and Maintenance of Plant	1,894,055	1,853,669	1,861,514	1,853,669
Pupil Transportation	383,860	492,662	383,860	481,842
Central	289,933	286,715	223,620	272,997
Food Service	862,081	852,003	(43,094)	(68,661)
Extracurricular Activities	542,016	547,870	322,798	386,037
Capital Outlay	1,255,449	383,307	(7,930,638)	383,307
<b>Debt Service:</b>				
Principal Retirement	835,000	339,920	835,000	339,920
Interest and Fiscal Charges	1,007,091	1,505,916	1,007,091	1,505,916
Issuance Costs	7,000		7,000	
<b>Total Disbursements</b>	<b>\$25,933,888</b>	<b>\$24,033,084</b>	<b>\$12,847,254</b>	<b>\$19,563,457</b>

The total costs of services, versus the net costs of services, decreased from the prior fiscal year and, in general, is a reflection of the effect of the grant monies received in fiscal year 2011. As can be seen above, the dependence on general receipts for most programs is significant with 49.5 percent of program costs being paid from general receipts. Only several of the School District's programs receive a notable amount of program receipts to offset program costs. The special instruction program provided for 48.7 percent of its costs through program receipts from operating grants restricted for special instruction purposes (this is substantially less than the prior fiscal year due to the decreased receipt of grant monies). Program receipts food service program include cafeteria sales and state and federal subsidies and donated commodities for food service operations. Program receipts in the extracurricular activities program include music and athletic fees, ticket sales, and gate receipts.

***The School District's Funds***

The General Fund decreased 5.8 percent from the prior fiscal year. Even though debt service requirements exceeded property tax related receipts in fiscal year 2011, due to the issuance of new debt the fund balance in the Bond Retirement debt service fund decreased only slightly, by 9.6 percent. The Classroom Facilities Construction Fund increased 1076.5 percent due to the receipt of grant monies for construction; however the construction projects costs are just beginning to be disbursed.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(Continued)**

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. During fiscal year 2011, the School District amended its General Fund budget as needed. For receipts, there was no change from the original budget to the final budget; however there was a significant variance from the final budget to the actual receipts; actual receipts were \$672,974 more than budgeted. For disbursements, there were significant changes from the original budget to the final budget and from the final budget to actual disbursements. Actual disbursements were \$1,366,952 less than the final budget, but only \$99,202 less than the original budget.

***Debt Administration***

At June 30, 2011, the School District's outstanding debt included general obligation bonds, in the amount of \$21,996,751, issued for building construction and improvement and school improvement loans, in the amount of \$2,225,348. For further information regarding the School District's debt, refer to Note 12 to the basic financial statements.

***Current Issues***

Finances is always a big concern of the District, but with the economic slump effecting our nation coupled with the numerous turn of events as mentioned below finances will be taking on an even greater concern in the foreseeable future. Fiscal year 2011, with an operating loss in excess of \$339,000, was the first year that the District operated in the red since fiscal year 2007, while each year of the five-year forecast indicates an operating deficit.

A significant aspect to the deficit expenditure issue is the "speed-up" of the reimbursement phase out of Tangible Personal Property (TPP) Tax receipts. HB 66 adopted by the State on June 30, 2005 was to phase out TPP reimbursement payments from fiscal year 2012 through fiscal year 2018. However, HB 153 passed in June 2011 sped up the process and Van Wert City School's will no longer receive TPP reimbursements after fiscal year 2013. Total of TPP reimbursements for fiscal years 2012 and 2013 is estimated at \$824,685, down tremendously from the estimate of \$2,784,224 if payments were phased out through 2018.

Another factor affecting the District's financial position is the receipt of or lack thereof of Federal Stimulus grant dollars. The District received a total of \$1,318,328 of State Fiscal Stabilization Funds (SFSF) during the two year period ending June 30, 2011. Beginning in fiscal year 2012 the District will no longer receive SFSF funds, but instead will receive one year of Federal Education Jobs Fund Grant money in the amount of \$422,363. The District will need to find a way to absorb the loss of these funds.

An issue that has been on-going is the amount of money the School District has been losing to open enrollment. The net loss for fiscal years 2006, 2007, and 2008 was \$2,149,000, while the net loss for each of fiscal years 2009, 2010, and 2011 respectively has been \$981,000, \$1,025,421, and \$1,162,682. The Board of Education and the Administration are working with the Community Advisory Council to fix this ever increasing loss of students and funds.

The School District is currently in the middle of a five-year 1 percent income tax levy that expires December 31, 2013. The levy was originally projected to bring in \$2,290,000 per year, however with the economic difficulties effecting Van Wert actual collections have fallen short of projections.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(Continued)**

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

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

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

***Contacting the School District's Financial Management***

This financial statement is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Michael Ruen, Treasurer, Van Wert City School District, 205 West Crawford Street, Van Wert, Ohio 45891-1903.

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

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2011**

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>LifeLinks Community School</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$8,291,374	\$20,915
Cash and Cash Equivalents in Segregated Accounts	8,502,073	
<b>Total Assets</b>	<b>16,793,447</b>	<b>20,915</b>
<b>Net Assets:</b>		
<b>Restricted for:</b>		
Capital Projects	9,084,101	
Debt Service	700,715	
Other Purposes	901,519	
Bus Purchases	6,397	
Educational Purposes:		
Expendable	8,773	
Non-expendable	25,000	
Unrestricted	6,066,942	20,915
<b>Total Net Assets</b>	<b>\$16,793,447</b>	<b>\$20,915</b>

*See Accompanying Notes to Basic Financial Statements.*

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

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
				Primary	Component
	Cash Disbursements	Charges for Services	Operating Grants, Contributions,	Capital Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$10,479,264	\$974,150	\$141,009		(\$9,364,105)
Special	2,745,640	161,580	1,175,214		(1,408,846)
Vocational	2,555		7,031		4,476
Student Intervention Services	765,645				(765,645)
<b>Support Services:</b>					
Pupils	1,148,265	44,582	7,700		(1,095,983)
Instructional Staff	1,337,921		45,659		(1,292,262)
Board of Education	56,730				(56,730)
Administration	1,765,829	106,471	13,904		(1,645,454)
Fiscal	555,554				(555,554)
Operation and Maintenance of Plant	1,894,055	32,541			(1,861,514)
Pupil Transportation	383,860				(383,860)
Central	289,933		66,313		(223,620)
Food Service	862,081	407,906	497,269		43,094
Extracurricular Activities	542,016	194,422	24,796		(322,798)
Capital Outlay	1,255,449			\$9,186,087	7,930,638
<b>Debt Service:</b>					
Principal Retirement	835,000				(835,000)
Interest and Fiscal Charges	1,007,091				(1,007,091)
Issuance Costs	7,000				(7,000)
Total Governmental Activities	25,933,888	1,921,652	1,978,895	9,186,087	(12,847,254)
Component Unit					
LifeLinks Community School	592,836	329	245,692		(\$346,815)
Totals	\$26,526,724	\$1,921,981	\$2,224,587	\$9,186,087	(12,847,254)
<b>General Receipts:</b>					
<b>Property Taxes Levied for:</b>					
General Purposes				4,780,972	
Debt Service				1,310,202	
Permanent Improvements				328,316	
Income Taxes Levied for General Purposes				2,186,395	
Payments in Lieu of Taxes				198,188	
Grants and Entitlements not Restricted to Specific Programs				11,568,921	360,527
Energy Conservation Note Issued				450,348	
Interest				50,775	149
Sale of Capital Assets				1,000	
Miscellaneous				15,952	
Total General Receipts				20,891,069	360,676
Change in Net Assets				8,043,815	13,861
Net Assets at Beginning of Year - Restated (Note 3)				8,749,632	7,054
Net Assets at End of Year				\$16,793,447	\$20,915

See Accompanying Notes to Basic Financial Statements.

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$6,013,958	\$700,715		\$1,483,538	\$8,198,211
Cash and Cash Equivalents in Segregated Accounts			\$8,487,817	14,256	8,502,073
<b>Restricted Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	59,390			33,773	93,163
<b>Total Assets</b>	<u>6,073,348</u>	<u>700,715</u>	<u>8,487,817</u>	<u>1,531,567</u>	<u>16,793,447</u>
<b>Fund Balances</b>					
Non-spendable				25,000	25,000
Restricted	6,397	700,715	8,487,817	1,526,478	10,721,407
Assigned	140,083				140,083
Unassigned	5,926,868			(19,911)	5,906,957
<b>Total Fund Balances</b>	<u>\$6,073,348</u>	<u>\$700,715</u>	<u>\$8,487,817</u>	<u>\$1,531,567</u>	<u>\$16,793,447</u>

See Accompanying Notes to Basic Financial Statements.

VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General	Bond Retirement	Classroom Facilities Construction	Other Governmental	Total Governmental Funds
<b>Receipts:</b>					
Property Taxes	\$4,780,972	\$1,310,202		\$328,316	\$6,419,490
Income Taxes	2,186,395				2,186,395
Payments in Lieu of Taxes	198,188				198,188
Intergovernmental	10,515,343	360,944	\$9,010,142	2,788,345	22,674,774
Interest	50,775		4,621	3,354	58,750
Tuition and Fees	921,875				921,875
Rent	22,995			868	23,863
Extracurricular Activities	41,386			128,105	169,491
Charges for Services	376,978			399,379	776,357
Gifts and Donations	35,920			26,271	62,191
Miscellaneous	34,747			200	34,947
<b>Total Receipts</b>	<b>19,165,574</b>	<b>1,671,146</b>	<b>9,014,763</b>	<b>3,674,838</b>	<b>33,526,321</b>
<b>Disbursements:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	10,374,256			105,008	10,479,264
Special	1,927,896			817,744	2,745,640
Vocational	2,555				2,555
Student Intervention Services	723,126			42,519	765,645
<b>Support Services:</b>					
Pupils	1,136,059			12,206	1,148,265
Instructional Staff	1,125,623			212,298	1,337,921
Board of Education	56,730				56,730
Administration	1,087,724			678,105	1,765,829
Fiscal	496,206	47,398		11,950	555,554
Operation and Maintenance of Plant	1,791,819			102,236	1,894,055
Pupil Transportation	383,860				383,860
Central	224,802			65,131	289,933
Food Service				862,081	862,081
Extracurricular Activities	399,504			142,512	542,016
Capital Outlay	6,970		1,248,413	66	1,255,449
<b>Debt Service:</b>					
Principal Retirement		785,000		50,000	835,000
Interest		912,738		94,353	1,007,091
Issuance Costs				7,000	7,000
<b>Total Disbursements</b>	<b>19,737,130</b>	<b>1,745,136</b>	<b>1,248,413</b>	<b>3,203,209</b>	<b>25,933,888</b>
Excess of Receipts Over (Under) Disbursements	(571,556)	(73,990)	7,766,350	471,629	7,592,433
<b>Other Financing Sources (Uses):</b>					
Energy Conservation Note Issued				450,348	450,348
Sale of Capital Assets				1,000	1,000
Refund of Prior Year Expenditures	34				34
Advances In	200,000				200,000
Advances Out				(200,000)	(200,000)
Transfers In				113,804	113,804
Transfers Out				(113,804)	(113,804)
<b>Total Other Financing Sources (Uses)</b>	<b>200,034</b>			<b>251,348</b>	<b>451,382</b>
Changes in Fund Balances	(371,522)	(73,990)	7,766,350	722,977	8,043,815
Fund Balances at Beginning of Year - Restated (Note 3)	6,444,870	774,705	721,467	808,590	8,749,632
<b>Fund Balances at End of Year</b>	<b>\$6,073,348</b>	<b>\$700,715</b>	<b>\$8,487,817</b>	<b>\$1,531,567</b>	<b>\$16,793,447</b>

See Accompanying Notes to Basic Financial Statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property Taxes	\$4,755,696	\$4,755,696	\$4,780,972	\$25,276
Income Taxes	2,100,000	2,100,000	2,186,395	86,395
Payment in Lieu of Taxes	198,188	198,188	198,188	
Intergovernmental	10,379,756	10,379,756	10,515,343	135,587
Interest	50,000	50,000	50,775	775
Tuition and Fees	839,000	839,000	921,875	82,875
Rent	4,000	4,000	22,995	18,995
Charges for Services	35,000	35,000	376,978	341,978
Gifts and Donations	6,000	6,000	4,453	(1,547)
Miscellaneous	31,812	31,812	15,918	(15,894)
<b>Total Receipts</b>	<u>18,399,452</u>	<u>18,399,452</u>	<u>19,073,892</u>	<u>674,440</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	10,828,432	11,208,431	10,376,626	831,805
Special	2,192,474	2,437,474	1,939,480	497,994
Vocational	500	500	4,791	(4,291)
Student Intervention Services	453,830	790,230	723,126	67,104
<b>Support Services:</b>				
Pupils	1,020,009	1,101,009	1,137,285	(36,276)
Instructional Staff	1,076,411	1,090,761	1,125,623	(34,862)
Board of Education	55,555	55,555	57,605	(2,050)
Administration	1,001,560	1,122,560	1,081,382	41,178
Fiscal	559,615	559,616	549,297	10,319
Operation and Maintenance of Plant	2,060,774	2,060,774	1,793,692	267,082
Pupil Transportation	386,519	411,519	406,648	4,871
Central	206,985	206,985	226,879	(19,894)
Operation of Non-Instructional Services			944	(944)
Extracurricular Activities		65,000	316,531	(251,531)
Capital Outlay	3,417	3,417	6,970	(3,553)
<b>Total Disbursements</b>	<u>19,846,081</u>	<u>21,113,831</u>	<u>19,746,879</u>	<u>1,366,952</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	<u>(1,446,629)</u>	<u>(2,714,379)</u>	<u>(672,987)</u>	<u>2,041,392</u>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	1,500	1,500	34	(1,466)
Advances In	200,000	200,000	200,000	
<b>Total Other Financing Sources (Uses)</b>	<u>201,500</u>	<u>201,500</u>	<u>200,034</u>	<u>(1,466)</u>
<b>Changes in Fund Balance</b>	<u>(1,245,129)</u>	<u>(2,512,879)</u>	<u>(472,953)</u>	<u>2,039,926</u>
<b>Fund Balance at Beginning of Year</b>	<u>6,259,298</u>	<u>6,259,298</u>	<u>6,259,298</u>	
<b>Prior Year Encumbrances Appropriated</b>	<u>147,230</u>	<u>147,230</u>	<u>147,230</u>	
<b>Fund Balance at End of Year</b>	<u>\$5,161,399</u>	<u>\$3,893,649</u>	<u>\$5,933,575</u>	<u>\$2,039,926</u>

See Accompanying Notes to Basic Financial Statements.

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

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	<u>Private Purpose Trust</u>	<u>Investment Trust</u>	<u>Agency</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$94,243		\$131,279
Cash and Cash Equivalents in Segregated Accounts	43,466	\$4,178,073	
Total Assets	<u>137,709</u>	<u>4,178,073</u>	<u>131,279</u>
<b>Net Assets</b>			
Held in Trust for Scholarships	75,137		
Held in trust for Student Activities			131,279
Held in Trust for Individual Investment Account		4,178,073	
Endowments	62,572		
Total Net Assets	<u>\$137,709</u>	<u>\$4,178,073</u>	<u>\$131,279</u>

*See Accompanying Notes to Basic Financial Statements.*

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Private Purpose Trust</b>	<b>Investment Trust</b>
<b>Additions:</b>		
Interest	\$2,117	\$3,900
Contributions	12,009	7,225,047
Total Additions	14,126	7,228,947
<b>Deductions:</b>		
Payments in Accordance with Trust Agreements	12,959	7,364,326
Total Deductions	12,959	7,364,326
Change in Net Assets	1,167	(135,379)
Net Assets at Beginning of Year - Restated (Note 3)	136,542	4,313,452
Net Assets at End of Year	\$137,709	\$4,178,073

*See Accompanying Notes to Basic Financial Statements.*

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

The School District was established in 1968. The School District serves an area of approximately seventy square miles. It is located in Van Wert County and includes the City of Van Wert, the Village of Ohio City, and Liberty Township. The School District is the 250nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by ninety-six classified employees, one hundred fifty-seven certified teaching personnel, and fourteen administrative employees who provide services to 1,972 students and other community members. The School District currently operates six buildings and a maintenance/transportation building.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

The following component unit is described due to the relationship to the School District:

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The School District participates in two jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Vantage Career Center, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Van Wert Area Schools Insurance Group. These organizations are presented in Notes 17 and 18 to the basic financial statements.

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

**A. Basis of Presentation**

**1. Government-Wide Financial Statements**

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government except for fiduciary funds.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**2. Fund Financial Statements**

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

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

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

**B. Fund Accounting**

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

**1. Governmental Funds/Governmental Activities**

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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

**2. Fiduciary Funds**

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

**C. Basis of Accounting**

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

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

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

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

**D. Budgetary Process**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control selected by the Board is at the object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function level in the General Fund and the function and object level within all other funds are made by the School District Treasurer.

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

**1. Tax Budget**

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

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

**2. Estimated Resources**

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

**3. Appropriations**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(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, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**4. Encumbrances**

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

**5. Lapsing of Appropriations**

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

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, with the exception of the investment trust fund and the classroom facilities construction fund are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2011, investments include nonnegotiable certificates of deposit, repurchase agreements, and STAROhio. Nonnegotiable certificates of deposit and repurchase agreements are reported at cost. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 was \$50,775, which includes \$32,412 assigned from other School District funds.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for budget stabilization as well as unexpended revenues restricted for bus purchases. See Note 13 for more information on the School District's set asides.

**G. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**H. Inventory and Prepaid Items**

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

**I. Capital Assets**

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

**J. Compensated Absences**

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

**K. Long-Term Obligations**

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

**L. Equity Classifications**

**1. Government-Wide Statements**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

- a. **Restricted net assets** – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the School District. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2011, there were no net assets restricted by enabling legislation.
- b. **Unrestricted net assets** – All other net assets that do not meet the definition of “restricted.”

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

**2. Fund Financial Statements**

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

- a. **Non-spendable** – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
- b. **Restricted** – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. **Committed** – The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. **Assigned** – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

- e. Unassigned** – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**M. Intergovernmental Receipts**

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

**N. Interfund Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements. See Note 14 for more information on the School District's interfund activity.

**O. Receipts and Disbursements**

**1. Program Receipts**

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

**2. Disbursements**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**P. Implementation of New Accounting Policies**

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *“Fund Balance Reporting and Governmental Fund Type Definitions”* and GASB Statement No. 59, *“Financial Instruments Omnibus.”*

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

**3. RESTATEMENT OF FUND BALANCE**

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *“Fund Balance Reporting and Governmental Fund Type Definitions”*. GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned.

A reporting difference was noted for the fund balances of fiscal year 2010 whereby reported other governmental funds and investment trust monies were more than actual balances by \$998 and \$17,212, respectively.

The restatement had the following effect on fund balances as of June 30, 2010:

	<b>General</b>	<b>All Other Governmental Funds</b>
Fund Balance at June 30, 2010	\$6,406,528	\$920,860
Reporting Correction		(998)
Change in Fund Structure	38,342	(111,272)
Adjusted Fund Balance at July 1, 2010	\$6,444,870	\$808,590

The restatement had the following effect on net assets as of June 30, 2010:

	<b>Governmental Activities</b>	<b>Investment Trust</b>	<b>Private Purpose Trust</b>
Net Assets June 30, 2010	\$ ,823,560	\$4,330,664	\$ 63,612
Reporting Correction	(998)	(17,212)	
Change in Fund Structure	(72,930)		72,930
Adjusted Net Assets at July 1, 2010	\$8,749,632	\$4,313,452	\$136,542

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, the carrying amount of the School District's deposits was \$16,774,791, and the bank balance was \$17,133,027. Of the entire bank balance, \$15,935,027 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

As of June 30, 2011 the School District had \$4,380 in un-deposited cash on hand and miscellaneous cash funds. This amount is included in cash and cash equivalents.

**B. Investments**

As of June 30, 2011 the School District had the following investments:

	<b>Fair Value</b>	<b>Maturity</b>
Repurchase Agreements	\$1,409,393	July 1, 2011
STAROhio	3,051,944	56 days average
	<b>\$4,461,337</b>	

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

**Credit Risk** – The securities underlying the repurchase agreements (Federal National Mortgage Association Notes) carry a rating of E+ by Moody's. STAROhio carries a rating of AAAm by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that repurchase agreements be limited to investments in United States treasury securities and federal governmental agency securities. STAROhio must maintain the highest rating provided by at least one nationally recognized standard rating service.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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

**Concentration of Credit Risk** — The School District places no limit on the amount of its interim monies it may invest in a particular security. At June 30, 2011, 32 percent of the School District's investments were invested in repurchase agreements and 68 percent were invested with STAROhio.

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**5. PROPERTY TAXES (Continued)**

The School District receives property taxes from Van Wert County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2011, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2011 taxes were collected are:

	<b>2010 Second Half Collections</b>		<b>2011 First Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$170,462,280	77.77%	\$171,404,170	78.02%
Industrial/Commercial	41,315,580	18.85	40,421,790	18.40
Public Utility	7,401,170	3.38	7,866,850	3.58
Total Assessed Value	<u>\$219,179,030</u>	<u>100.00%</u>	<u>\$219,692,810</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$53.60		\$53.60	

**6. INCOME TAXES**

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2009, for a five-year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**7. PAYMENT IN LIEU OF TAXES**

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

**8. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted for the following insurance coverage.

**A. Property and Liability**

Coverage provided by Ohio Casualty Insurance Company is as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

Building and Contents	\$73,332,200
General School District Liability:	
Per Occurrence	1,000,000
Total per Year	2,000,000
Automobile Liability	1,000,000
Uninsured/Underinsured Motorists	1,000,000
Umbrella Liability:	
Per Occurrence	4,000,000
Total per Year	4,000,000

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

**B. Workers Compensation**

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria.

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

**C. Unemployment**

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

**D. Health Care**

The School District participates in the Van Wert Area Schools Insurance Group (VWASIG). VWASIG is a public entity shared risk pool consisting of five members. The School District pays monthly premiums to VWASIG for employee medical, dental, and life insurance benefits. VWASIG is responsible for the management and operation of the program. Upon withdrawal from VWASIG, a member is responsible for the payment of all VWASIG liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report, STRS Ohio's 2011 *Comprehensive Annual Financial Report*. That report will be available after December 17, 2011 and may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit", the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio Funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3037.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65 whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DV Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**Funding Policy** – Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10 percent of covered payroll and 14 percent for employers. The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 was \$1,249,303, \$1,190,704, and \$1,172,852, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

**B. School Employees Retirement System**

**Plan Description** – The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Funding Policy** – For the fiscal year ended June 30, 2011, plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.81 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 School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$327,638, \$301,189, and \$214,587; 50 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2011, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**10. POST-EMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

**Plan Description** – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**10. POST-EMPLOYMENT BENEFITS (Continued)**

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

**Funding Policy** – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, one percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$96,100, \$92,173, and \$90,479, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. School Employees Retirement System**

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

**Medicare Part B Plan** – The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2011, the actuarially required allocation is .76 percent. The School District contributions for the years ended June 30, 2011, 2010 and 2009 were \$21,084, \$17,911, and \$17,705, respectively, 50 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**Health Care Plan** – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**10. POST-EMPLOYMENT BENEFITS (Continued)**

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than two percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District contributions assigned to health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$39,672, \$10,841, and \$98,205, respectively; 50 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**11. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Employee Insurance Benefits**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**12. LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	<u>Balance at 6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/11</u>	<u>Amounts Due Within One Year</u>
<b>General Obligation Bonds:</b>					
<b>FY 2007 School Improvement Refunding:</b>					
Serial Bonds 4 – 4.25%	\$ 6,675,000		\$ 40,000	\$ 6,635,000	\$ 40,000
Term Bonds 4.25%	2,580,000			2,580,000	
Capital Appreciation Bonds	5,000			5,000	
Accretion on Capital Appreciation Bonds	8,420	\$ 4,295		12,715	
<b>FY 2007 School Improvement Refunding:</b>					
Serial Bonds 4%	8,785,000		65,000	8,720,000	65,000
Capital Appreciation Bonds	60,000			60,000	
Accretion on Capital Appreciation Bonds	98,183	50,853		149,036	
<b>FY 2003 School Improvement:</b>					
Serial Bonds 2-5%	4,515,000		680,000	3,835,000	710,000
Total General Obligation Bonds	<u>22,726,603</u>	<u>55,148</u>	<u>785,000</u>	<u>21,996,751</u>	<u>815,000</u>
<b>School Improvement Loans:</b>					
<b>FY 2006 School Improvement Loan</b>					
<b>Energy Conservation Loan Series 2011</b>	1,825,000		50,000	1,775,000	53,000
		450,348		450,348	5,348
Total School Improvement Loans	<u>1,825,000</u>	<u>450,348</u>	<u>50,000</u>	<u>2,225,348</u>	<u>58,348</u>
Total Governmental Activities Long-Term Obligations	<u>\$24,551,603</u>	<u>\$505,496</u>	<u>\$835,000</u>	<u>\$24,222,099</u>	<u>\$873,348</u>

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2025, in the amount of \$970,000. For fiscal year 2011, \$4,295 was accreted on the capital appreciation bonds for a total bond value of \$17,715 at fiscal year-end.

At June 30, 2011, \$9,215,000 of the refunded bonds was still outstanding.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2016, in the amount of \$945,000. For fiscal year 2011, \$50,853 was accreted on the capital appreciation bonds for a total bond value of \$209,036 at fiscal year-end.

At June 30, 2011, \$8,720,000 of the refunded bonds was still outstanding.

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

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

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

**Energy Conservation Loan Series 2011** – On June 28, 2011, the School District obtained a \$450,348 un-voted general obligation loan from Capital One Bank for the purpose of providing energy conservation measures for the School District under H.B. 264. The loan was issued for a fifteen year period with final maturity of December 1, 2025. Principal payments are calculated on the weighted average maturity and yield of the obligations, ranging from an initial payment of \$5,348 gradually increasing to \$40,000 at maturity. Interest is made in semi-annual payments at 3.95%. The loan will be repaid through the General Fund.

The School District's overall debt margin was (\$3,582,280) with an un-voted debt margin of \$219,693 at June 30, 2011. The School District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

Principal and interest requirements to retire outstanding debt obligations at June 30, 2011, are as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

Fiscal Year Ending June 30,	General Obligation Bonds				Total
	Serial	Term	Capital Appreciation	Interest	
2012	\$ 815,000			\$ 882,120	\$ 1,697,120
2013	845,000			849,453	1,694,453
2014	880,000			814,378	1,694,378
2015	915,000			776,912	1,691,912
2016	955,000			737,064	1,692,064
2017-2021	4,180,000	\$ 115,000	\$60,000	4,126,982	8,481,982
2022-2026	4,335,000	1,055,000	5,000	3,088,719	8,483,719
2027-2031	6,265,000	1,410,000		842,668	8,517,668
Total	\$19,190,000	\$2,580,000	\$65,000	\$12,118,296	\$33,953,296

Fiscal Year Ending June 30,	School Improvement Loans		
	Principal	Interest	Total
2012	\$ 58,348	\$ 105,809	\$ 164,157
2013	75,000	103,972	178,972
2014	83,000	100,311	183,311
2015	86,000	96,400	182,400
2016	89,000	92,338	181,338
2017-2021	536,000	392,899	927,899
2022-2026	675,000	252,203	927,203
2027-2031	623,000	97,473	720,473
Total	\$2,225,348	\$1,240,405	\$3,465,753

**13. STATUTORY RESERVES**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future fiscal years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2011, the unspent portion of budget stabilization continues to be set aside. Effective July 1, 2011, the textbook set aside laws have been repealed.

The following cash basis information describes the changes in the fiscal year set aside amounts for textbooks and capital acquisition. State statute requires disclosing this information. For fiscal year ended June 30, 2011, the restricted activity was as follows:

	Textbook Reserve	Capital Acquisition	Budget Stabilization
Set Aside Restricted Balance June 30, 2010			\$52,993
Current Year Set Aside Requirement	\$284,467	\$284,467	
Current Year Qualifying Disbursements	(310,616)	(150,720)	
Excess Qualified Disbursements from Prior Year	(428,255)		
Current Year Offsets		(133,747)	
Total	(\$454,404)	\$ 0	\$52,993
Balance Carried Forward to Fiscal Year 2012	\$ 0	\$ 0	\$ 0
Set Aside Restricted Balance June 30, 2011	\$ 0	\$ 0	\$ 52,993

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**13. STATUTORY RESERVES (Continued)**

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. As the textbook law is repealed, the negative amount is not presented as being carried forward to future years.

**14. INTERFUND TRANSACTIONS**

During fiscal year 2011, the following advances in and out occurred:

<u>Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$200,000	
All Other Governmental:		
Permanent Improvement		\$200,000
Total All Other Governmental		200,000
Total All	\$200,000	\$200,000

A short term advance of \$200,000 from the prior year was repaid to the General Fund from the Permanent Improvement Fund.

During fiscal year 2011, the School District made the following transfers between funds:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
All Other Governmental:		
Permanent Improvement		\$113,804
Classroom Facilities Maintenance	\$113,804	
Total All Other Governmental	\$113,804	\$113,804

Transfers of \$113,804 were made to move monies from the Permanent Improvement fund for Classroom Facilities Maintenance.

**15. FUND BALANCE**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**15. FUND BALANCE (Continued)**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities Construction Fund</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Non-spendable				\$ 25,000	\$ 25,000
<b>Restricted for:</b>					
Permanent Improvements			\$8,487,817	908,433	9,396,250
Debt Retirement		\$700,715			700,715
Food Service Operations				196,339	196,339
Student Improvement				3,152	3,152
Special Needs Instruction				62,411	62,411
Auxiliary Services				50,791	50,791
Student Activities				111,536	111,536
Improving Teacher Quality				8,095	8,095
Information Systems				4,731	4,731
Fiscal Stabilization				50,226	50,226
Instructional Activities				130,764	130,764
Bus Purchase	\$ 6,397				6,397
Total Restricted	<u>6,397</u>	<u>700,715</u>	<u>8,487,817</u>	<u>1,526,478</u>	<u>10,721,407</u>
<b>Assigned to:</b>					
Unpaid Obligations	100,556				100,556
Educational Activities	39,527				39,527
Total Assigned to	<u>140,083</u>				<u>140,083</u>
Unassigned	5,926,868			(19,911)	5,906,957
Total Fund Balances	<u>\$6,073,348</u>	<u>\$700,715</u>	<u>\$8,487,817</u>	<u>\$1,531,567</u>	<u>\$16,793,447</u>

**16. DONOR RESTRICTED ENDOWMENTS**

The School District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$62,572, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$75,137 and is included in "Held in trust for scholarships". State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year and to aid needy children.

**17. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2010, the School District paid \$34,129 to NOACSC for various services. Financial information can be obtained from Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**B. Vantage Career Center**

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

**18. INSURANCE POOLS**

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

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**B. Van Wert Area Schools Insurance Group**

The Van Wert Area Schools Insurance Group (VWASIG) is a public entity shared risk pool consisting of five members. VWASIG is a Voluntary Employee Benefit Association under Section 501©(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each member appoints a representative to the Board of Trustees. The Board of Trustees is the legislative and managerial body of VWASIG. Financial information can be obtained from the Van Wert City School District, 205 West Crawford Street, Van Wert, Ohio 45891.

**19. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions, specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

**B. Litigation**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**20. CONTRACTUAL COMMITMENTS**

At June 30, 2011, the School District has the following contractual commitments:

<u>Contractor</u>	<u>Description</u>	<u>Contracted Amount</u>	<u>Balance Remaining</u>
Vaughn Industries	Elementary Construction Project	\$ 1,734,000	\$ 1,734,000
Beilharz Architects, Inc.	Elementary Construction Project	1,451,375	418,368
Four Seasons Environmental	Elementary Building	74,734	60,789
Richard L. Bowen	Construction Management	1,331,042	890,673
H.E.A.T. Total Facility	HB265 Energy Conservation Updates	443,348	443,348
Jamison Well Drilling, Inc.	Geothermal Well Fields	743,492	743,492
CTL Engineering, Inc.	Elementary Construction Project	153,404	153,404
Woolace Electric Corp.	Elementary Construction Project	2,550,000	2,550,000
Slagle Mechanical Contracting	Elementary Construction Project	829,000	829,000
Absolute Fire Protection	Elementary Construction Project	242,000	242,000
Charles Construction	Elementary Construction Project	11,076,000	11,076,000
Ward Construction	HS/MS Entrance Drive Renovation	116,500	116,500
Totals		<u>\$20,744,895</u>	<u>\$19,257,574</u>

**21. BUDGETARY BASIS OF ACCOUNTING**

The statement of receipts, disbursements and changes in fund balance – budget and actual (cash basis), presented for the general fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

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

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

<u>Net Change in General Fund Balance</u>	
	<u>General Fund</u>
Budget basis	(\$472,953)
Funds budgeted elsewhere**	1,189
Adjustment for encumbrances	100,242
Cash basis	<u>(\$371,522)</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**22. ACCOUNTABILITY AND COMPLIANCE**

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2011, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**23. COMPONENT UNIT – LIFELINKS COMMUNITY SCHOOL**

**A. Description of the School and Reporting Entity**

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

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

The School's financial activity began on February 23, 2010, however the School did not receive state foundation monies until September 22, 2010. Prior to this date the School received \$50,000 of grant proceeds to cover their disbursements of \$42,946.

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

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

**B. Significant Accounting Policies**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**23. COMPONENT UNIT – LIFELINKS COMMUNITY SCHOOL (Continued)**

**1. Basis of Presentation**

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

**2. Basis of Accounting**

Basis of accounting refers to when receipts and disbursements are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the Community School chooses to prepare its financial statements and notes in accordance with the cash accounting basis. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

**3. Budgetary Process**

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

**4. Cash and Cash Equivalents**

Cash held by the Community School is reflected as "Equity in Pooled Cash and Cash Equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. The Community School had no investments in fiscal year 2011.

**5. Inventory and Prepaid Items**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**23. COMPONENT UNIT – LIFELINKS COMMUNITY SCHOOL (Continued)**

**6. Capital Assets and Depreciation**

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

**7. Tax Exemption Status**

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

**8. Intergovernmental Revenues**

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

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

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

**9. Operating Revenues and Expenses**

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

**10. Compensated Absences**

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

**11. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**23. COMPONENT UNIT – LIFELINKS COMMUNITY SCHOOL (Continued)**

**12. Net Assets**

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

**C. Deposits**

At June 30, 2011, the carrying amount of the Community School's deposits was \$20,915. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2011 the entire bank balance of \$20,915 was covered by Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding the deposit and investment of funds by the Community School.

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

**D. Purchased Services**

For fiscal year ended June 30, 2011, purchased service disbursements were as follows:

	<b>2011</b>
Professional Services	<u>\$365,465</u>
Travel, Mileage and Meetings	<u>20,202</u>
Total	<u><u>\$385,667</u></u>

**E. Service Contracts**

**1. Northwest Ohio Area Computer Services Cooperative**

During fiscal year ended June 30, 2011, the Community School utilized the services of Northwest Ohio Area Computer Services Cooperative for instructional, administrative and technical services required for the operation of the Community School. The amount paid during the audit period was included in the charges paid to the Sponsor.

**2. Van Wert City School District**

The Community School Sponsorship Contract between the Community School and Van Wert City School District (the "Sponsor") outlined the specific payments to be made by the Community School to the Sponsor during fiscal year 2011. In addition, the Community School Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the Community School by the Sponsor. The Community School paid the Sponsor \$365,465 during fiscal year 2011 for professional and technical services.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**23. COMPONENT UNIT – LIFELINKS COMMUNITY SCHOOL (Continued)**

**F. Risk Management**

The Community School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended June 30, 2011, the Community School contracted with Ohio Casualty. Settled claims did not exceed coverage during the fiscal year. There has been no reduction in coverage.

**G. Operating Lease**

On August 18, 2010 the Community School entered into a two year lease agreement with Trinity Friends Church, an Ohio non-profit corporation, for the use of classrooms, offices, and other facilities. The contracted monthly lease amount was \$2,300. Required future lease payments for the remaining term of the lease are \$27,600 for September 1, 2011 through August 31, 2012.

**H. Contingencies**

**1. Grants**

The Community School received financial assistance from federal and state 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 Community School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Community School at June 30, 2011.

**2. Full-Time Equivalency**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. Upon final review of the state funding in 2011, it was found that the State underpaid the Community School by \$5,455 which will be paid to the Community School during fiscal year 2012.

**I. Start Up Funding and Retaining Earnings**

LifeLinks was awarded a total of \$305,000 in Federal grants payable over three years and restricted for start-up funding, of which \$50,000 was received in fiscal year 2010 and \$214,902 was received in fiscal year 2011. This money was used for the purchase of classroom materials, equipment, and training for the officials.

At the fiscal year end June 30, 2010, LifeLinks had retained earnings in the total amount of \$7,054. These retained earnings were comprised of the following:

Federal Grant Funds	\$50,000
Less total start up expense incurred for the period ending June 30, 2010	<u>42,946</u>
Retained Earnings June 30, 2010	<u>\$ 7,054</u>

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
(Passed through Ohio Department of Education)					
<b>Child Nutrition Cluster:</b>					
Non Cash Assistance (Food Distribution) School Breakfast Program	10.553		\$18,034		\$18,034
Cash Assistance School Breakfast Program	10.553	\$70,214		\$70,214	
Non Cash Assistance (Food Distribution) National School Lunch Program	10.555		162,304		162,304
Cash Assistance National School Lunch Program	10.555	415,422		415,422	
Total Nutrition Cluster		<u>485,636</u>	<u>180,338</u>	<u>485,636</u>	<u>180,338</u>
Total U.S. Department of Agriculture		<u>485,636</u>	<u>180,338</u>	<u>485,636</u>	<u>180,338</u>
<b>United States Department of Education</b>					
(Passed through Ohio Department of Education)					
<b>Title 1 Cluster:</b>					
Title I Grants to Local Educational Agencies	84.010	327,880		305,386	
<b>ARRA</b> Title I Grants to Local Educational Agencies, Recovery Act	84.389	74,108		74,108	
Total Title I Cluster		<u>401,988</u>		<u>379,494</u>	
<b>Special Education Cluster:</b>					
Special Education Grants to States	84.027	504,899		466,961	
<b>ARRA</b> Special Education Grants to States, Recovery Act	84.391	190,640		208,793	
Special Education Preschool Grants	84.173	18,655		20,407	
<b>ARRA</b> Special Education Preschool Grants, Recovery Act	84.392	5,484		5,484	
Total Special Education Cluster		<u>719,678</u>		<u>701,645</u>	
Safe and Drug-Free Schools and Communities - State Grants	84.186	2,700		3,046	
Educational Technology State Grants	84.318	2,808		2,941	
Improving Teacher Quality State Grants	84.367	109,065		103,789	
<b>ARRA</b> State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	732,820		699,550	
Total United States Department of Education		<u>1,969,059</u>		<u>1,890,465</u>	
Total Federal Financial Assistance		<u>\$2,454,695</u>	<u>\$180,338</u>	<u>\$2,376,101</u>	<u>\$180,338</u>

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

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Van Wert City School District, Van Wert County, (the School District) as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 13, 2012, wherein we noted the School District adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*. We also noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

### Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 13, 2012.

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

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



**Dave Yost**  
Auditor of State

March 13, 2012



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Van Wert City School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Van Wert City School District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

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

In our opinion, the Van Wert City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-02.

### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2011-02. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



**Dave Yost**  
Auditor of State

March 13, 2012

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.027 / 84.173 / 84.391 / 84.392: Special Education Cluster  CFDA #84.394: State Fiscal Stabilization Fund ARRA  CFDA #10.553 and 10.555: Nutrition Cluster
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2011-01**

**Noncompliance**

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

**Ohio Adm. Code Section 117-2-03 (B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

In order to present financial statements that present assets, liabilities and the disclosures required to accurately present the School District's financial condition, the School District should prepare its annual financial statements in accordance with generally accepted accounting principles.

**Officials Response:**

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

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**1. Noncompliance/Significant Deficiency**

<b>Finding Number</b>	2011-02
<b>CFDA Title and Number</b>	Nutrition Cluster, CFDA #10.553 and 10.555
<b>Federal Award Number / Year</b>	FY 2011
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**Nutrition Cluster Verification**

**7 CFR 245.6a (a)** states school officials may seek verification of the information on the application. State Agencies shall ensure that each School Year, School Food Authorities have selected and verified a sample of their approved free and reduced price applications in accordance with the conditions and procedures described in this section, by November 15 unless an extension is requested in writing. The state agency may approve an extension up to December 15 of the current school year. Verification activity may begin at the start of the school year but the final required sample size shall be based on the number of approved applications on file as of October 31. Any extensions to these deadlines must be approved in writing by FNS. School Food Authorities are required to satisfy the verification requirement by using either random sampling or focused sampling.

**7 CFR 245.6a (e)** states that if verification activities fail to confirm eligibility for free or reduced price benefits or should the household fail to cooperate with the verification effort, the school or School Food Authority shall reduce or terminate benefits, as applicable, as follows: Ten days advance notification shall be provided to households that are to receive a reduction or termination of benefits, prior to the actual reduction or termination. The first day of the 10 day advance notice period shall be the day the notice is sent. The notice shall advise the household of: (1) The change; (2) The reasons for the change; (3) notification of the right to appeal and when the appeal must be filed to ensure continued benefits while awaiting a hearing and decision; (4) instructions on how to appeal; and (5) the right to reapply at any time during the school year. The reasons for ineligibility shall be properly documented and retained on file at the School Food Authority.

The School District performed a verification in which the information obtained did not support the initial determination that the applicant was eligible for free lunches. The School District did not properly report the verification result as a change from free to reduced as necessary, nor did the School District notify the parents of the verification results indicating a change from free to reduced as required. Failure to comply with federal regulations could result in the loss or suspension of federal funding.

The School District should review procedures for the performance of the annual Verification for the Nutrition Cluster program to ensure that the verification is properly performed and any changes are properly reported on the Verification Summary, changed in the system, and communicated to the applicant.

**Officials Response:**

The Superintendent and or Treasurer will meet with and discuss this issue with the Cafeteria Manager to not only heighten her awareness of this mistake but also stressing the importance of insuring that it doesn't occur again.

VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	34 CFR 80.23(a) – Expenditures made outside the period of availability	Yes	

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

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (C)  
FISCAL YEAR END JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-02	The Superintendent and/or Treasurer will meet with and discuss this issue with the Cafeteria Manager to not only heighten her awareness of this mistake but also stressing the importance of insuring that it doesn't occur again.	3/31/12	Michael Ruen, Treasurer

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Van Wert City School District (the School District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 16, 2011, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

March 13, 2012

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# Dave Yost • Auditor of State

VAN WERT CITY SCHOOL DISTRICT

VAN WERT COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 8, 2012