



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

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, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified 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, 2014, and the respective changes in modified cash financial position and the respective budgetary comparison for the General and Classroom Facilities Maintenance funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities, and outstanding debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 2, 2015

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**Van Wert City School District**  
**Van Wert County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(Unaudited)*

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The discussion and analysis of the Van Wert City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position decreased \$1,378,114, which can mostly be attributed to an increased loss in students and funds due to open enrollment.
- Total outstanding debt decreased \$845,738 through principal payments made during the current year.

***Using this Annual Report***

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2014, the General fund, the Bond Retirement fund, and Classroom Facilities Maintenance fund are the School District's most significant funds.

***Basis of Accounting***

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

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

**Van Wert City School District**  
**Van Wert County, Ohio**  
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***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the General fund, the Bond Retirement fund, and the Classroom Facilities Maintenance fund.

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

***Reporting the School District's Fiduciary Responsibilities***

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

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
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**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to 2013.

**(Table 1)**  
**Net Position – Modified Cash Basis**

	Governmental Activities	
	2014	2013
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 5,216,690	\$ 6,131,822
Cash and Cash Equivalents in Segregated Accounts	10,279	508,311
Investments	35,050	0
<i>Total Assets</i>	<b>\$ 5,262,019</b>	<b>\$ 6,640,133</b>
<b>Net Position</b>		
Restricted for:		
Capital Projects	\$ 590,107	\$ 987,890
Debt Service	682,679	695,224
Bus Purchases	6,397	6,397
Educational Purposes:		
Expendable	9,307	9,206
Non-Expendable	25,000	25,000
Other Purposes	1,106,269	1,069,187
Unrestricted	2,842,260	3,847,229
<i>Total Net Position</i>	<b>\$ 5,262,019</b>	<b>\$ 6,640,133</b>

Net position of the governmental activities decreased \$1,378,114, which represents a 20.75 percent decrease from fiscal year 2013. The decrease is mainly the result of the decrease in students and funding due to open enrollment.

A portion of the School District's net position, \$2,419,759 or 45.99 percent, represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$2,842,260 may be used to meet the School District's ongoing obligations.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Management's Discussion and Analysis*  
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(Unaudited)  
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Table 2 shows the changes in net position for fiscal year 2014 as compared to fiscal year 2013.

**(Table 2)**  
**Changes in Net Position – Modified Cash Basis**

	Governmental Activities	
	2014	2013
<b>Receipts</b>		
<b>Program Receipts</b>		
Charges for Services and Sales	\$ 2,023,151	\$ 1,978,144
Operating Grants, Contributions and Interest	<u>2,140,452</u>	<u>2,320,352</u>
<i>Total Program Receipts</i>	<u>4,163,603</u>	<u>4,298,496</u>
<b>General Receipts</b>		
Property Taxes	6,658,996	6,519,744
Income Taxes	2,671,759	2,325,253
Grants and Entitlements not Restricted to Specific Programs	11,785,309	13,118,088
Payments in Lieu of Taxes	175,589	168,483
Proceeds from Sale of Capital Assets	6,406	88
Insurance Proceeds	0	4,222
Investment Earnings	28,334	16,607
Miscellaneous	<u>133,540</u>	<u>63,850</u>
<i>Total General Receipts</i>	<u>21,459,933</u>	<u>22,216,335</u>
<i>Total Receipts</i>	<u>25,623,536</u>	<u>26,514,831</u>
<b>Program Disbursements</b>		
Instruction:		
Regular	11,468,786	10,470,952
Special	3,493,772	2,964,840
Vocational	23,272	2,585
Student Intervention Services	45,678	105,071
Other	535,078	569,113
Support Services:		
Pupils	1,556,013	1,407,219
Instructional Staff	603,376	1,615,001
Board of Education	55,095	47,128
Administration	1,792,537	1,867,719
Fiscal	564,297	547,914
Operation and Maintenance of Plant	2,022,692	1,862,377
Pupil Transportation	452,901	446,321
Central	213,333	293,170
Operation of Non-Instructional Services:		
Food Service Operations	926,282	904,964
Community Services	143,310	181,851
Extracurricular Activities	582,413	588,608
Capital Outlay	662,874	8,087,002
Debt Service:		
Principal Retirement	973,000	922,239
Interest and Fiscal Charges	<u>886,941</u>	<u>914,325</u>
<i>Total Program Disbursements</i>	<u>27,001,650</u>	<u>33,798,399</u>
<i>Change in Net Position</i>	(1,378,114)	(7,283,568)
<i>Net Position Beginning of Year</i>	<u>6,640,133</u>	<u>13,923,701</u>
<i>Net Position End of Year</i>	<u>\$ 5,262,019</u>	<u>\$ 6,640,133</u>

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(Unaudited)  
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The OSFC funded construction project was completed during fiscal year 2013, causing large decreases in both grants and entitlements not restricted for specific programs receipts as well as capital outlay expenditures. Fluctuations between instruction and support services functions can be attributed to the re-coding of disbursements in accordance with the revised expenditure standards approved by the State Board of Education on December 11, 2012. The expenditure standards revision addressed operating expenditures and classroom instruction versus non-classroom expenditures.

**Governmental Activities**

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

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

	Total Costs of Services		Net Costs of Services	
	2014	2013	2014	2013
<i><b>Program Disbursements</b></i>				
Instruction:				
Regular	\$ 11,468,786	\$ 10,470,952	\$ 9,892,237	\$ 8,920,339
Special	3,493,772	2,964,840	2,397,065	2,067,038
Vocational	23,272	2,585	(9,356)	(4,446)
Student Intervention Services	45,678	105,071	45,678	105,071
Other	535,078	569,113	535,078	569,113
Support Services:				
Pupils	1,556,013	1,407,219	1,553,035	1,372,348
Instructional Staff	603,376	1,615,001	350,670	1,207,133
Board of Education	55,095	47,128	55,095	47,128
Administration	1,792,537	1,867,719	1,786,897	1,867,719
Fiscal	564,297	547,914	564,297	547,914
Operation and Maintenance of Plant	2,022,692	1,862,377	2,022,692	1,819,394
Pupil Transportation	452,901	446,321	452,901	446,321
Central	213,333	293,170	213,333	221,014
Operation of Non-Instructional Services:				
Food Service Operations	926,282	904,964	40,254	4,879
Community Services	143,310	181,851	7,264	26,372
Extracurricular Activities	582,413	588,608	415,454	359,000
Capital Outlay	662,874	8,087,002	655,512	8,087,002
Debt Service:				
Principal Retirement	973,000	922,239	973,000	922,239
Interest and Fiscal Charges	886,941	914,325	886,941	914,325
<i>Total</i>	<u>\$ 27,001,650</u>	<u>\$ 33,798,399</u>	<u>\$ 22,838,047</u>	<u>\$ 29,499,903</u>

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 15.42 percent of all governmental expenses. The community is the largest area of support for the School District students.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
(Unaudited)  
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***The School District's Funds***

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

The School District's governmental funds reported a combined fund balance of \$5,262,019, which is lower than the prior year balance of \$6,640,133.

The General fund had total cash receipts of \$20,821,522. The cash disbursements of the General fund totaled \$21,832,897. The General fund's fund balance decreased \$1,004,969 in fiscal year 2014. Despite the increase in intergovernmental receipts during fiscal year 2014, disbursements continue to exceed receipts, causing a negative change in fund balance.

The Classroom Facilities Maintenance fund had total cash receipts of \$156,787 and total cash disbursements of \$81,819, for an increase in fund balance of \$74,968 in fiscal year 2014. This fund accumulates tax receipts to pay future maintenance costs of the school facilities.

The Bond Retirement fund had total cash receipts of \$1,707,823 and total cash disbursements of \$1,720,368, for a decrease in fund balance of \$12,545 in fiscal year 2014. The decrease in fund balance is due to the timing of tax receipts versus debt payments.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2014, the School District amended its General fund budget several times. For the General fund, original and final budgeted receipts were \$19,706,848. Actual receipts of \$20,715,487, were \$1,008,639 higher than the final budget. Of this increase, most was attributable to an increase in income taxes and intergovernmental receipts.

For fiscal year 2014, the General fund final budgeted disbursements were \$21,964,895, which is over the original budgeted disbursements of \$20,812,385. Actual disbursements of \$21,832,479 were \$132,416 lower than the final budget, primarily due to cost savings in regular instruction.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(Unaudited)*  
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***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2014 and 2013.

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

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
2006 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	\$ 9,130,768	\$ 9,165,877
2007 Refunding Bonds - Serial and Capital Appreciation Bonds	8,997,439	8,950,068
2012 Refunding Bonds - Serial Bonds	1,615,000	2,390,000
OASBO School Improvement Loan	1,609,000	1,667,000
Energy Conservation Loan Series 2011	400,000	425,000
<i>Total</i>	<u>\$ 21,752,207</u>	<u>\$ 22,597,945</u>

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

***Current Issues***

Finances are always a big concern of the School District, and that will continue as the School District has operated in the red the past four years. During this four year period the School District experienced a total General Fund loss of \$3,597,999, with the high-point being an operating loss of \$1,525,204 in fiscal year 2013. In addition to the past four years, each year in the School District's 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 Schools was to no longer receive TPP reimbursements after fiscal year 2013. Total of TPP reimbursements for fiscal years 2012 and 2013 were \$810,100. However, HB 59 passed in June 2013 holding off the total eliminate of TPP reimbursement at a reduced rate of \$228,684 in fiscal year 2014, and the same amount projected for fiscal year 2015. The total of these collections, \$1,267,468, is down tremendously from the estimate of \$2,784,224 as originally projected with an expected phase-out through 2018.

An issue that has been on-going is the amount of money the School District has been losing to open enrollment. The net loss for fiscal years 2006 thru 2011 was \$5,318,103, while the net loss for each of fiscal years 2012, 2013, and 2014 respectively has been \$1,210,559, \$1,378,726, and \$1,410,469. The Board of Education and the Administration are working on ways to fix this ever increasing loss of students and funds.

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On May 7, 2013 the School District's residents approved the renewal of a five-year 1.0 percent school district income tax as a 1.0 percent continuing school district income tax at an estimated annual collection of \$2,281,000. The dollar amount of projected collections is very similar to prior years; however, this renewal offers greater stability as the revenue source has been approved on a permanent basis. The School District experienced very good collections in fiscal year 2014, as \$2,671,759 were collected, marking a 14.9 percent increase over the prior year.

The School District has cut expenditures for the upcoming 2014-2015 fiscal year by not replacing two retired teachers while also replacing a number of retiring teachers and other staff members with younger and less expensive employees. However, these cuts are offset the first year due to one-time severance payments made to retiring teachers and other staff members.

The School District's collective bargaining agreement with the teacher's union expired June 29, 2014. As of fiscal year end June 30, 2014 the School District and teacher's union were involved in negotiating a new agreement.

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

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

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Statement of Net Position - Modified Cash Basis*  
*June 30, 2014*

	Primary Government	Component Unit
	Governmental Activities	LifeLinks Community School
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 5,216,690	\$ 13,419
Cash and Cash Equivalents in Segregated Accounts	10,279	0
Investments	35,050	0
<i>Total Assets</i>	<u>\$ 5,262,019</u>	<u>\$ 13,419</u>
<b>Net Position</b>		
Restricted for:		
Capital Projects	\$ 590,107	\$ 0
Debt Service	682,679	0
Bus Purchases	6,397	0
Educational Purposes:		
Expendable	9,307	0
Non-Expendable	25,000	0
Other Purposes	1,106,269	147
Unrestricted	<u>2,842,260</u>	<u>13,272</u>
<i>Total Net Position</i>	<u>\$ 5,262,019</u>	<u>\$ 13,419</u>

See accompanying notes to the basic financial statements.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Statement of Activities - Modified Cash Basis*  
*For the Fiscal Year Ended June 30, 2014*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position	
				Primary Government	Component Unit
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	LifeLinks Community School
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 11,468,786	\$ 1,434,583	\$ 141,966	\$ (9,892,237)	\$ 0
Special	3,493,772	117,450	979,257	(2,397,065)	0
Vocational	23,272	0	32,628	9,356	0
Student Intervention Services	45,678	0	0	(45,678)	0
Other	535,078	0	0	(535,078)	0
Support Services:					
Pupils	1,556,013	0	2,978	(1,553,035)	0
Instructional Staff	603,376	0	252,706	(350,670)	0
Board of Education	55,095	0	0	(55,095)	0
Administration	1,792,537	5,640	0	(1,786,897)	0
Fiscal	564,297	0	0	(564,297)	0
Operation and Maintenance of Plant	2,022,692	0	0	(2,022,692)	0
Pupil Transportation	452,901	0	0	(452,901)	0
Central	213,333	0	0	(213,333)	0
Operation of Non-Instructional Services:					
Food Service Operations	926,282	320,124	565,904	(40,254)	0
Community Services	143,310	0	136,046	(7,264)	0
Extracurricular Activities	582,413	145,354	21,605	(415,454)	0
Capital Outlay	662,874	0	7,362	(655,512)	0
Debt Service:					
Principal Retirement	973,000	0	0	(973,000)	0
Interest and Fiscal Charges	886,941	0	0	(886,941)	0
<i>Total Governmental Activities</i>	<u>27,001,650</u>	<u>2,023,151</u>	<u>2,140,452</u>	<u>(22,838,047)</u>	<u>0</u>
<b>Component Unit</b>					
LifeLinks Community School	562,320	63	107,613	0	(454,644)
<i>Totals</i>	<u>\$ 27,563,970</u>	<u>\$ 2,023,214</u>	<u>\$ 2,248,065</u>	<u>(22,838,047)</u>	<u>(454,644)</u>
<b>General Receipts</b>					
Property Taxes Levied for:					
General Purposes				4,974,841	0
Debt Service				1,347,007	0
Capital Outlay				337,148	0
Income Taxes Levied for:					
General Purposes				2,671,759	0
Grants and Entitlements not Restricted to Specific Programs				11,785,309	419,139
Payments in Lieu of Taxes				175,589	0
Proceeds from Sale of Capital Assets				6,406	0
Investment Earnings				28,334	104
Miscellaneous				133,540	2,624
<i>Total General Receipts</i>				<u>21,459,933</u>	<u>421,867</u>
Change in Net Position				(1,378,114)	(32,777)
<i>Net Position Beginning of Year</i>				<u>6,640,133</u>	<u>46,196</u>
<i>Net Position End of Year</i>				<u>\$ 5,262,019</u>	<u>\$ 13,419</u>

See accompanying notes to the basic financial statements.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Statement of Assets and Fund Balances - Modified Cash Basis*  
*Governmental Funds*  
*June 30, 2014*

	General Fund	Bond Retirement Fund	Classroom Facilities Maintenance Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,789,267	\$ 682,679	\$ 702,116	\$ 948,931	\$ 5,122,993
Restricted Cash and Cash Equivalents	59,390	0	0	34,307	93,697
Cash and Cash Equivalents in Segregated Accounts	0	0	0	10,279	10,279
Investments	0	0	0	35,050	35,050
<i>Total Assets</i>	<u>\$ 2,848,657</u>	<u>\$ 682,679</u>	<u>\$ 702,116</u>	<u>\$ 1,028,567</u>	<u>\$ 5,262,019</u>
<b>Fund Balances</b>					
Nonspendable	\$ 0	\$ 0	\$ 0	\$ 25,000	\$ 25,000
Restricted	59,390	682,679	702,116	1,006,500	2,450,685
Assigned	109,462	0	0	0	109,462
Unassigned	2,679,805	0	0	(2,933)	2,676,872
<i>Total Fund Balances</i>	<u>\$ 2,848,657</u>	<u>\$ 682,679</u>	<u>\$ 702,116</u>	<u>\$ 1,028,567</u>	<u>\$ 5,262,019</u>

See accompanying notes to the basic financial statements.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balances - Modified Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General Fund	Bond Retirement Fund	Classroom Facilities Maintenance Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$ 4,974,841	\$ 1,347,007	\$ 113,804	\$ 223,344	\$ 6,658,996
Income Taxes	2,671,759	0	0	0	2,671,759
Intergovernmental	11,214,788	360,797	42,983	2,208,710	13,827,278
Investment Income	28,209	0	0	972	29,181
Tuition and Fees	996,127	0	0	0	996,127
Extracurricular Activities	43,364	0	0	103,641	147,005
Gifts and Donations	40,380	0	0	57,254	97,634
Charges for Services	513,021	0	0	320,123	833,144
Payments in Lieu of Taxes	175,589	0	0	0	175,589
Rent	43,025	0	0	3,850	46,875
Miscellaneous	120,419	19	0	13,104	133,542
<i>Total Receipts</i>	<u>20,821,522</u>	<u>1,707,823</u>	<u>156,787</u>	<u>2,930,998</u>	<u>25,617,130</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	11,323,716	0	0	145,070	11,468,786
Special	2,585,453	0	0	908,319	3,493,772
Vocational	23,272	0	0	0	23,272
Student Intervention Services	45,678	0	0	0	45,678
Other	535,078	0	0	0	535,078
Support Services:					
Pupils	1,548,897	0	0	7,116	1,556,013
Instructional Staff	348,717	0	0	254,659	603,376
Board of Education	55,095	0	0	0	55,095
Administration	1,792,537	0	0	0	1,792,537
Fiscal	507,160	45,905	0	11,232	564,297
Operation and Maintenance of Plant	1,921,236	0	13,630	87,826	2,022,692
Pupil Transportation	452,901	0	0	0	452,901
Central	213,333	0	0	0	213,333
Extracurricular Activities	425,749	0	0	156,664	582,413
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	926,282	926,282
Community Services	500	0	0	142,810	143,310
Capital Outlay	12,281	0	68,189	582,404	662,874
Debt Service:					
Principal Retirement	25,000	890,000	0	58,000	973,000
Interest and Fiscal Charges	16,294	784,463	0	86,184	886,941
<i>Total Disbursements</i>	<u>21,832,897</u>	<u>1,720,368</u>	<u>81,819</u>	<u>3,366,566</u>	<u>27,001,650</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,011,375)</u>	<u>(12,545)</u>	<u>74,968</u>	<u>(435,568)</u>	<u>(1,384,520)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Capital Assets	6,406	0	0	0	6,406
<i>Net Change in Fund Balances</i>	(1,004,969)	(12,545)	74,968	(435,568)	(1,378,114)
<i>Fund Balances Beginning of Year</i>	<u>3,853,626</u>	<u>695,224</u>	<u>627,148</u>	<u>1,464,135</u>	<u>6,640,133</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,848,657</u>	<u>\$ 682,679</u>	<u>\$ 702,116</u>	<u>\$ 1,028,567</u>	<u>\$ 5,262,019</u>

See accompanying notes to the basic financial statements.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 4,907,969	\$ 4,907,969	\$ 4,974,841	\$ 66,872
Income Taxes	2,325,253	2,325,253	2,671,759	346,506
Intergovernmental	10,694,526	10,694,526	11,214,788	520,262
Investment Income	20,000	20,000	28,209	8,209
Tuition and Fees	970,000	970,000	996,127	26,127
Extracurricular Activities	0	0	3,032	3,032
Gifts and Donations	12,500	12,500	13,125	625
Charges for Services	550,000	550,000	512,881	(37,119)
Rent	32,500	32,500	43,025	10,525
Miscellaneous	194,100	194,100	257,700	63,600
<i>Total Receipts</i>	<u>19,706,848</u>	<u>19,706,848</u>	<u>20,715,487</u>	<u>1,008,639</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	10,814,776	11,413,659	11,344,850	68,809
Special	2,466,699	2,603,295	2,587,601	15,694
Vocational	22,185	23,413	23,272	141
Student Intervention Services	43,544	45,955	45,678	277
Other	510,077	538,323	535,078	3,245
Support Services:				
Pupils	1,487,870	1,570,262	1,560,796	9,466
Instructional Staff	369,728	390,202	387,850	2,352
Board of Education	57,127	60,290	59,927	363
Administration	1,697,204	1,791,188	1,780,390	10,798
Fiscal	489,171	516,259	513,147	3,112
Operation and Maintenance of Plant	1,840,637	1,942,565	1,930,854	11,711
Pupil Transportation	438,195	462,461	459,673	2,788
Central	203,365	214,627	213,333	1,294
Extracurricular Activities	319,209	336,886	334,855	2,031
Operation of Non-Instructional Services:				
Community Services	477	503	500	3
Capital Outlay	12,756	13,462	13,381	81
Debt Service:				
Principal Retirement	23,832	25,152	25,000	152
Interest and Fiscal Charges	15,533	16,393	16,294	99
<i>Total Disbursements</i>	<u>20,812,385</u>	<u>21,964,895</u>	<u>21,832,479</u>	<u>132,416</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,105,537)</u>	<u>(2,258,047)</u>	<u>(1,116,992)</u>	<u>1,141,055</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	0	6,406	6,406
Refund of Prior Year Disbursements	0	0	18,398	18,398
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>24,804</u>	<u>24,804</u>
<i>Net Change in Fund Balance</i>	<u>(1,105,537)</u>	<u>(2,258,047)</u>	<u>(1,092,188)</u>	<u>1,165,859</u>
<i>Fund Balance Beginning of Year</i>	3,757,641	3,757,641	3,757,641	0
Prior Year Encumbrances Appropriated	38,378	38,378	38,378	0
<i>Fund Balance End of Year</i>	<u>\$ 2,690,482</u>	<u>\$ 1,537,972</u>	<u>\$ 2,703,831</u>	<u>\$ 1,165,859</u>

See accompanying notes to the basic financial statements.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*Classroom Facilities Maintenance Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$ 42,983	\$ 42,983	\$ 42,983	\$ 0
<b>Disbursements</b>				
Current:				
Support Services:				
Operation and Maintenance of Plant	0	13,792	13,849	(57)
Capital Outlay	0	70,000	68,189	1,811
<i>Total Disbursements</i>	0	83,792	82,038	1,754
<i>Excess of Receipts Over (Under) Disbursements</i>	42,983	(40,809)	(39,055)	1,754
<b>Other Financing Sources (Uses)</b>				
Transfers In	113,804	113,804	113,804	0
<i>Net Change in Fund Balance</i>	156,787	72,995	74,749	1,754
<i>Fund Balance Beginning of Year</i>	627,149	627,149	627,149	0
<i>Fund Balance End of Year</i>	<u>\$ 783,936</u>	<u>\$ 700,144</u>	<u>\$ 701,898</u>	<u>\$ 1,754</u>

See accompanying notes to the basic financial statements.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Statement of Fiduciary Net Position - Modified Cash Basis*  
*Fiduciary Funds*  
*June 30, 2014*

	Private Purpose Trust		
	Scholarship	Investment Trust	Agency
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 119,509	\$ 0	\$ 123,066
Cash and Cash Equivalents in Segregated Accounts	0	1,534,323	0
Investments	35,288	1,941,274	0
<i>Total Assets</i>	<u>\$ 154,797</u>	<u>\$ 3,475,597</u>	<u>\$ 123,066</u>
<b>Net Position</b>			
Held in Trust for Scholarships	\$ 87,068	\$ 0	\$ 0
Held for Student Activities	0	0	81,578
Held in Trust for Individual Investment Account	0	3,475,597	0
Held on Behalf of Other Governments			41,488
Endowments	67,729	0	0
<i>Total Net Position</i>	<u>\$ 154,797</u>	<u>\$ 3,475,597</u>	<u>\$ 123,066</u>

See accompanying notes to the basic financial statements.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Statement of Changes in Fiduciary Net Position - Modified Cash Basis*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2014*

	Scholarship	Investment Trust
<b>Additions</b>		
Gifts and Contributions	\$ 30,041	\$ 7,329,870
Interest	413	15,531
<i>Total Additions</i>	<u>30,454</u>	<u>7,345,401</u>
<b>Deductions</b>		
Payments in Accordance with Trust Agreements	<u>18,308</u>	<u>6,887,534</u>
<i>Change in Net Position</i>	12,146	457,867
<i>Net Position Beginning of Year</i>	<u>142,651</u>	<u>3,017,730</u>
<i>Net Position End of Year</i>	<u>\$ 154,797</u>	<u>\$ 3,475,597</u>

See accompanying notes to the basic financial statements.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*

**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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

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

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

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

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*  
*(Continued)*

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

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

**NOTE 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 15 and 16 to the basic financial statements.

These financial statements are presented on a modified 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 modified cash basis of accounting. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position 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 Position 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 modified cash basis of accounting or draws from the general receipts of the School District.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*  
*(Continued)*

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

**B. Fund Accounting**

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

**1. Governmental Funds**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Classroom Facilities Maintenance 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 Fund is used to account for property tax revenues and transfers from the General Fund to pay principal and interest on the School District's loans and general obligation bonds.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*  
*(Continued)*

**Classroom Facilities Maintenance Fund** - The Classroom Facilities Maintenance Fund is used to account for all transactions related to the maintenance and repair of the facility, including preventative maintenance, periodic repairs, and the replacement of facility components.

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

**C. Basis of Accounting**

The School District's financial statements are prepared using the modified 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 modified 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.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*  
*(Continued)*

**D. Budgetary Process**

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

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

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

**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.

**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.

**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.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*  
*(Continued)*

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**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.

**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 reappropriated.

**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, two private purpose trust funds 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". Cash and cash equivalents unique to the investment trust fund, two private purpose trust funds and the classroom facilities construction fund are presented as segregated cash and cash equivalents.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*  
*(Continued)*

During fiscal year 2014, the School District invested in shares of Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Agricultural Mortgage Corporation, Tennessee Valley Authority, certificates of deposit and STAROhio. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2014 was \$28,209, which includes \$13,150 assigned from other School District funds.

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

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

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund include unexpended receipts restricted for budget stabilization and bus purchases. See Note 12 for more information on the School District's set asides.

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

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

**H. Inventory and Prepaid Items**

On the modified 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.

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**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 modified cash basis of accounting used by the School District.

**K. Long-Term Obligations**

Modified 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**

GOVERNMENT-WIDE STATEMENTS

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

1. Restricted net position – Consists of net position 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 position 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, 2014, there was no net position restricted by enabling legislation.
2. Unrestricted net position – All other net position that does 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 position is available.

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. Nonspendable - The nonspendable 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.

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

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

**M. Intergovernmental Receipts**

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

**N. Interfund Activity**

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

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**O. Receipts and Disbursements**

Program Receipts

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

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.

**P. Implementation of New Accounting Policies**

For the fiscal year ended June 30, 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio and STAR Plus); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

As of June 30, 2014, the School District had \$4,330 in undeposited cash on hand which is included in the pooled cash and cash equivalents.

***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 \$5,718,175. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2014, \$2,701,567 of the School District's bank balance of \$5,752,713 was exposed to custodial risk as discussed below, while \$3,051,146 was covered by the Federal Deposit Insurance Corporation (FDIC). Although all State statutory requirements for the deposit of money has been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

***Investments***

As of June 30, 2014 the School District had the following investments:

	Cost as of 06/30/2014	% of Total Investments	Maturities	
			< 1 Year	1 - 5 Years
Federal National Mortgage Association	\$ 2,532,049	76.90%	\$ 480,590	\$ 2,051,459
Federal Home Loan Bank	248,897	7.56%	0	248,897
Federal Farm Credit Bank	99,820	3.03%	0	99,820
Federal Agricultural Mortgage Corporation	99,922	3.03%	0	99,922
Federal Home Loan Mortgage Corporation	100,216	3.04%	0	100,216
Tennessee Valley Authority	100,806	3.06%	0	100,806
Money Market	100,702	3.06%	100,702	0
STAROhio	10,562	0.32%	10,562	0
	<u>\$ 3,292,974</u>	<u>100.00%</u>	<u>\$ 591,854</u>	<u>\$ 2,701,120</u>

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

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

At June 30, 2014 the School District’s investments in US Government/Agency bonds consist of securities in Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Agricultural Mortgage Corporation, Tennessee Valley Authority and Federal Home Loan Mortgage Corporations which are all rated AA+ by Standard and Poor’s. The money market is rated AAAM by Standard and Poor’s.

STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2014, is 51 days and carries a rating of AAAM by Standard and Poor’s.

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

*Concentration of Credit Risk* — The School District places no limit on the amount of its interim monies it may invest in any one issuer, however State statute limits investments in commercial paper and bankers’ acceptances to twenty-five percent of the interim monies available for investment at any one time. Refer to the table shown on the previous page for percentages of total investments held as of June 30, 2014.

**NOTE 4 – PROPERTY TAXES**

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

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Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

The School District receives property taxes from Van Wert County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	<b>2013 Second-Half</b>		<b>2014 First-Half</b>	
	<b>Collections</b>		<b>Collections</b>	
	<u><b>Amount</b></u>	<u><b>Percent</b></u>	<u><b>Amount</b></u>	<u><b>Percent</b></u>
Agricultural/Residential	\$ 175,712,760	78.85%	\$ 176,341,200	78.84%
Industrial/Commercial	38,633,430	17.34%	38,415,040	17.18%
Public Utility	8,509,850	3.81%	8,914,240	3.98%
Total Assessed Value	<u>\$ 222,856,040</u>	<u>100.00%</u>	<u>\$ 223,670,480</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$53.50		\$53.50	

**Van Wert City School District**  
**Van Wert County, Ohio**  
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**NOTE 5 – INCOME TAXES**

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2009, for a five-year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund. In May 2013, voters renewed the 1 percent income tax on a continuing basis.

**NOTE 6 – PAYMENT IN LIEU OF TAXES**

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

**NOTE 7 – RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted for the following insurance coverage.

**A. Property and Liability**

Coverage provided by Ohio Casualty Insurance Company is as follows:

Building and Contents	\$93,383,135
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.

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**B. Workers Compensation**

For fiscal year 2014, 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.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

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Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$376,582, \$402,443 and \$371,129, respectively; 75 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

**B. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 9.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,250,377, \$1,258,636 and \$1,247,124, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$21,860 made by the School District and \$17,176 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**NOTE 9 – POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lessor of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$42,971, \$42,007, and \$50,738, respectively; 75 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$21,848, \$22,733, and \$21,917, respectively; 75 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$96,183, \$96,818, and \$95,933, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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**NOTE 10 – OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Employee Insurance Benefits**

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

**NOTE 11 – LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	<u>Interest Rates</u>	<u>Balance at 06/30/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/2014</u>	<u>Amounts Due Within One Year</u>
<b>General Obligation Bonds:</b>						
<b>2006 School Improvement Refunding Bonds:</b>						
Serial Bonds	4% - 4.25%	\$ 6,555,000	\$ 0	\$ 45,000	\$ 6,510,000	\$ 45,000
Term Bonds	4.25%	2,580,000	0	0	2,580,000	0
Capital Appreciation Bonds	4.23%	5,000	0	0	5,000	0
Accretion on Capital Appreciation Bonds		25,877	9,891	0	35,768	0
<b>2007 School Improvement Refunding Bonds:</b>						
Serial Bonds	4%	8,585,000	0	70,000	8,515,000	75,000
Capital Appreciation Bonds	4%	60,000	0	0	60,000	0
Accretion on Capital Appreciation Bonds		305,068	117,371	0	422,439	0
<b>2012 School Improvement Refunding Bonds:</b>						
Serial Bonds	2% - 4%	2,390,000	0	775,000	1,615,000	790,000
Total General Obligation Bonds		<u>20,505,945</u>	<u>127,262</u>	<u>890,000</u>	<u>19,743,207</u>	<u>910,000</u>
<b>School Improvement Loans:</b>						
OASBO School Improvement Loan	5.04%	1,667,000	0	58,000	1,609,000	61,000
Energy Conservation Loan Series 2011	3.95%	425,000	0	25,000	400,000	25,000
Total School Improvement Loans		<u>2,092,000</u>	<u>0</u>	<u>83,000</u>	<u>2,009,000</u>	<u>86,000</u>
<b>Total Governmental Activities Long-Term Obligations</b>		<b><u>\$ 22,597,945</u></b>	<b><u>\$ 127,262</u></b>	<b><u>\$ 973,000</u></b>	<b><u>\$ 21,752,207</u></b>	<b><u>\$ 996,000</u></b>

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

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

At June 30, 2014, \$1,615,000 of the refunded bonds were outstanding.

**2006 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 2014, \$9,891 was accreted on the capital appreciation bonds for a total bond value (original principal plus accumulated accretion) of \$40,768 at fiscal year-end.

At June 30, 2014, \$9,095,000 of the refunded bonds were outstanding.

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2016, in the amount of \$945,000. For fiscal year 2014, \$117,371 was accreted on the capital appreciation bonds for a total bond value (original principal plus accumulated accretion) of \$482,439 at fiscal year-end.

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At June 30, 2014, \$8,575,000 of the refunded bonds was still outstanding.

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

***Energy Conservation Loan Series 2011*** – On June 28, 2011, the School District obtained a \$450,348 unvoted general obligation loan from Capital One Bank for the purpose of providing energy conservation measures for the School District under H.B. 265. The loan was issued for a fifteen year period with final maturity of December 1, 2025. Principal payments are calculated on the weighted average maturity and yield of the obligations, ranging from an initial payment of \$5,348 gradually increasing to \$40,000 at maturity. Interest is made in semi-annual payments at 3.95%. The loan is being retired through the General Fund.

Principal and interest requirements to retire outstanding debt obligations at June 30, 2014, are as follows:

<b>General Obligation Bonds</b>					
<b>Fiscal Year</b>	<b>Capital</b>				
<b>Ending June 30,</b>	<b>Serial</b>	<b>Term</b>	<b>Appreciation</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 910,000	\$ 0	\$ 0	\$ 756,213	\$ 1,666,213
2016	950,000	0	0	727,262	1,677,262
2017	50,000	0	60,000	715,513	825,513
2018	1,000,000	0	0	694,512	1,694,512
2019	1,040,000	0	0	653,713	1,693,713
2020-2024	5,555,000	300,000	0	2,595,638	8,450,638
2025-2029	3,870,000	2,280,000	5,000	1,408,850	7,563,850
2030-2031	3,265,000	0	0	140,143	3,405,143
	<u>\$ 16,640,000</u>	<u>\$ 2,580,000</u>	<u>\$ 65,000</u>	<u>\$ 7,691,844</u>	<u>\$ 26,976,844</u>

<b>School Improvement Loans</b>			
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Ending June 30,</b>			
2015	\$ 86,000	\$ 96,400	\$ 182,400
2016	89,000	92,338	181,338
2017	98,000	88,026	186,026
2018	101,000	83,413	184,413
2019	105,000	78,651	183,651
2020-2024	618,000	312,127	930,127
2025-2029	643,000	158,845	801,845
2030-2031	269,000	20,513	289,513
	<u>\$ 2,009,000</u>	<u>\$ 930,313</u>	<u>\$ 2,939,313</u>

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**NOTE 12 – STATUTORY RESERVES**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future fiscal years. Monies representing BWC refunds that were received prior to April 20, 2001, have been shown as a restricted cash/restricted fund balance in the general fund. The non-BWC portion of the budget stabilization has been returned to the general fund.

The following cash basis information describes the changes in the fiscal year set aside amounts for capital acquisition. State statute requires disclosing this information. For fiscal year ended June 30, 2014, the restricted activity was as follows:

	<b>Capital Acquisition</b>	<b>Budget Stabilization BWC Refund</b>
Set Aside Restricted Balance June 30, 2013	\$ 0	\$ 52,993
Current Year Set Aside Requirement	329,315	0
Current Year Offsets	(425,240)	0
Total	\$ (95,925)	\$ 52,993
Balance Carried Forward to Fiscal Year 2015	\$ 0	\$ 0
Set Aside Restricted Balance June 30, 2014	\$ 0	\$ 52,993

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

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**NOTE 13 – FUND BALANCE**

Fund balance is classified as nonspendable, 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:

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Classroom Facilities Maintenance Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Nonspendable:</b>					
Instruction Endowment	\$ 0	\$ 0	\$ 0	\$ 25,000	\$ 25,000
Total Nonspendable	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>
<b>Restricted for:</b>					
Bus Purchase	6,397	0	0	0	6,397
Budget Stabilization-BWC Refund	52,993	0	0	0	52,993
Permanent Improvement	0	0	0	590,107	590,107
Classroom Facilities Maintenance	0	0	702,116	0	702,116
Debt Service	0	682,679	0	0	682,679
Support Services	0	0	0	21,288	21,288
Student Activities	0	0	0	115,697	115,697
Instruction	0	0	0	113,203	113,203
Food Service	0	0	0	166,205	166,205
Total Restricted	<u>59,390</u>	<u>682,679</u>	<u>702,116</u>	<u>1,006,500</u>	<u>2,450,685</u>
<b>Assigned for:</b>					
Instruction	23,282	0	0	0	23,282
Support Services	80,811	0	0	0	80,811
Permanent Improvement	1,100	0	0	0	1,100
Extracurricular	4,269	0	0	0	4,269
Total Assigned	<u>109,462</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>109,462</u>
<b>Unassigned</b>	<u>2,679,805</u>	<u>0</u>	<u>0</u>	<u>(2,933)</u>	<u>2,676,872</u>
<b>Total Fund Balance</b>	<u>\$ 2,848,657</u>	<u>\$ 682,679</u>	<u>\$ 702,116</u>	<u>\$ 1,028,567</u>	<u>\$ 5,262,019</u>

**NOTE 14 – DONOR RESTRICTED ENDOWMENTS**

The School District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$67,729, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$87,068 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.

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**NOTE 15 – 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 2014, the School District paid \$59,360 to NOACSC for various services. Financial information can be obtained from Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

**B. Vantage Career Center**

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

**NOTE 16 – INSURANCE POOLS**

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

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

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

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

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

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**NOTE 17 – 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

**B. Litigation**

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

**NOTE 18 – COMMITMENTS**

**A. Contractual Commitments**

At June 30, 2014, the School District has the following contractual commitments:

<u>Contractor</u>	<u>Description</u>	<u>Contractual Commitment</u>	<u>Balance</u>
Jamison Well Drilling, Inc.	Elementary and Jefferson Construction Project	\$ 743,492	\$ 43,189
Netech Corporation	Elementary and Jefferson Construction Project	333,250	13,465
Richard L. Bowen	Elementary and Jefferson Construction Project	1,321,042	98,119
Charles Construction	Elementary Construction Project	825,488	383,023
Woolace Electric Corp.	Elementary Construction Project	2,507,074	21,500
Energy Optimizers USA	Elementary Construction Project	25,730	5,000
All-Temp Refrigeration, Inc.	Jefferson Construction Project	219,949	26,743
Tyco Simplex Grinnell	Fire Alarm Repairs	7,908	2,526
		<u>\$ 5,983,933</u>	<u>\$ 593,565</u>

**B. Encumbrance Commitments**

Outstanding encumbrances for governmental funds as of June 30, 2014, include \$109,462 in the General fund, \$900 in the Bond Retirement fund, \$219 in the Classroom Facilities Maintenance fund and \$730,753 in nonmajor governmental funds. Capital project encumbrances are included in the contractual commitments above.

**NOTE 19 – BUDGETARY BASIS OF ACCOUNTING**

The Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis), presented for the General Fund and the Classroom Facilities Maintenance 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 modified 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,

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(b) Some funds are included in the General Fund (modified 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 modified cash basis for the General Fund and the Classroom Facilities Maintenance Fund is as follows:

<b>Net Change in Fund Balance</b>		
	General Fund	Classroom Facilities Maintenance Fund
Modified Cash Basis	\$ (1,004,969)	\$ 74,968
Funds Budgeted Elsewhere**	17,974	0
Adjustment for Encumbrances	(105,193)	(219)
Budget Basis	\$ (1,092,188)	\$ 74,749

\*\* 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 modified cash basis. This includes administrative educational funds.

**NOTE 20 – 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 2014, 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 modified cash receipts and modified cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

**NOTE 21 – ACCOUNTABILITY**

Fund balances at June 30, 2014 included the following individual fund deficits:

*Non Major Special Revenue Funds:*

Race to the Top	\$ 1,204
Title II-A	1,729

The general fund provides transfers to cover deficit balances; however, this is done when cash is needed. The deficit fund balances were created at June 30, 2014, due to the School District not yet receiving reimbursement for certain disbursements.

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**NOTE 22 – COMPONENT UNIT – 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, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Community School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Community School.

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

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

The Community School is considered a component unit of the Van Wert City School District (“the Sponsor”) for reporting purposes, in accordance with Governmental Accounting Standard Board (GASB) Statement No. 61.

**A. Significant Accounting Policies**

As discussed further in Note A.2, these financial statements 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. Following are the more significant of the Community School’s accounting policies.

**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 Position - Cash Basis and a Statement of Receipts, Disbursements and Change in Cash Basis Net Position.

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**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 School is reflected as "Equity in Pooled Cash and Cash Equivalents" on the statement of net position. 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 2014.

**5. *Inventory and Prepaid Items***

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

**6. *Capital Assets and Depreciation***

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

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*  
*(Continued)*

**7. *Tax Exemption Status***

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

**8. *Intergovernmental Revenues***

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

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

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

**9. *Operating Revenues and Expenses***

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

**10. *Compensated Absences***

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

**11. *Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*  
*(Continued)*

**12. Net Position**

Equity is classified as net position and is displayed in separate components. Net position is 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 position are available.

**13. Implementation of New Accounting Policies**

For the fiscal year ended June 30, 2014, the Community School has implemented Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the Community School.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Community School.

**B. Deposits**

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Community School's name. During fiscal year 2014, the Community School and public depositories complied with the provisions of these statutes.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*  
(Continued)

Custodial credit risk is the risk that, in the event of a bank failure, the Community School’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Community School. The Community School has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Community School to a successful claim by the FDIC.

At June 30, 2014, the carrying amount of the Community School’s deposits was \$13,419 and the bank balance was \$365,378. Of the Community School’s bank balance, \$250,000 was covered by Federal Deposit Insurance Corporation, leaving \$115,378 exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent not in the Community School’s name. There are no significant statutory restrictions regarding the deposit and investment of funds by the Community School.

**C. Purchased Services**

For fiscal year ended June 30, 2014, purchased service disbursements were as follows:

	2014
Professional Services	\$ 478,896
Travel, Mileage and Meetings	195
Total	\$ 479,091

**D. Service Contracts**

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

During fiscal year ended June 30, 2014, the Community School utilized the services of Northwest Ohio Area Computer Services Cooperative (“NOACSC”) for instructional, administrative and technical services required for the operation of the Community School. The amount paid to NOACSC during the fiscal year was \$5,156 and is included in purchased services.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*  
*(Continued)*

**2. Van Wert City School District**

The Community School Sponsorship Contract between the Community School and Van Wert City School District (the “Sponsor”) outlined the specific payments to be made by the Community School to the Sponsor during fiscal year 2014. 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 \$439,698 during fiscal year 2014 for professional and technical services and \$30,000 to lease classroom and office space.

**E. 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, 2014, the Community School contracted with Ohio Casualty. Settled claims did not exceed coverage during the last two fiscal years. There has been no reduction in coverage from the prior fiscal year.

**F. Operating Lease**

On August 15, 2012, the Community School entered into a two year lease agreement with Van Wert City School District for the use of classrooms, offices, and other facilities. The contracted monthly lease amount was \$2,500.

**G. Contingencies**

**1. Grants**

The Community School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Community School. However, the effect of any such disallowed claims on the overall financial position of the Community School at June 30, 2014, if applicable, cannot be determined at this time.

**2. Full-Time Equivalency**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The final review of the state funding in 2014 is not yet available.

**Van Wert City School District**  
**Van Wert County, Ohio**  
*Notes To The Basic Financial Statements*  
*For The Fiscal Year Ended June 30, 2014*  
*(Continued)*

**3. *Litigation***

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

**4. *Other Commitments***

The Community School utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the Community School's commitments for encumbrances in the governmental funds were as follows:

<u><b>Fund</b></u>	<u><b>Amount</b></u>
General Fund	\$ 6,608
Total Governmental Funds	<u>\$ 6,608</u>

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

<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 the Ohio Department of Education)					
<b>Child Nutrition Cluster:</b>					
School Breakfast Program	10.553	\$85,893		\$85,893	
Non Cash Assistance (Food Distribution) National School Lunch Program	10.555		\$68,711		\$68,711
National School Lunch Program	10.555	467,361		467,361	
Total Nutrition Cluster		553,254	68,711	553,254	68,711
Total U.S. Department of Agriculture		553,254	68,711	553,254	68,711
<b>United States Department of Education</b>					
(Passed through the Ohio Department of Education)					
Title I Grants to Local Educational Agencies	84.010	554,440		479,348	
<b>Special Education Cluster:</b>					
Special Education_Grants to States	84.027	425,439		428,875	
Special Education_Preschool Grants	84.173	16,993		15,322	
Total Special Education Cluster		442,432		444,197	
(Passed through the Ohio Department of Health)					
Special Education - Grants for Infants and Families	84.181	36,055		36,055	
(Passed through the Ohio Department of Education)					
Improving Teacher Quality State Grants	84.367	96,885		100,083	
Rural Education	84.358	2,978		5,924	
Race to the Top - Recovery Act	84.395	247,660		249,064	
Total United States Department of Education		1,380,450		1,314,671	
Total Federal Financial Assistance		<u>\$1,933,704</u>	<u>\$68,711</u>	<u>\$1,867,925</u>	<u>\$68,711</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, 2014**

**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 AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the 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 (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 2, 2015 wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

***Entity's Response to Findings***

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.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 2, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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  
Van Wert, Ohio 45891

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Van Wert City School District's (the School District) compliance with the applicable 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, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

### ***Management's Responsibility***

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Van Wert City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 2, 2015

VAN WERT CITY SCHOOL DISTRICT  
VAN WERT COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014

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

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

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

**FINDING NUMBER 2014-001**

**Noncompliance**

**Financial Reporting**

**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 §117-2-03(B) further clarifies the requirements of Ohio Rev. Code §117.38.

**FINDING NUMBER 2014-001 (Continued)**

**Ohio Adm. Code §117-2-03 (B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for 2014 following the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code §117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare its financial statements according to generally accepted accounting principles to include assets, liabilities, equity and the disclosures to provide a completed presentation of its financial statements.

**Official's Response:**

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

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

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>
2013-001	Not Reporting in Accordance with GAAP.	No	Not Corrected; See Finding 2014-001
2013-002	Eligibility – Nutrition Cluster Noncompliance	No	Partially Corrected; See comment in management letter.

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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  
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 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 February 19, 2014 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act";

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 2, 2015

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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  
MARCH 31, 2015**