



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
Betty Montgomery**

88 East Broad Street
P. O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

This Page is Intentionally Left Blank.

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Balance sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Similar Fiduciary Funds For the Fiscal Year Ended June 30, 2002	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Similar Fiduciary Funds - For the Fiscal Year Ended June 30, 2002	8
Combined Statement of Revenues, Expenses and Changes in Fund Equity Proprietary Fund Type and Similar Fiduciary Funds For the Fiscal Year Ended June 30, 2002	10
Combined Statement of Revenues, Expenses and Changes in Fund Equity Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Similar Fiduciary Funds For the Fiscal Year Ended June 30, 2002	11
Combined Statement of Cash Flows Proprietary Fund Type and Similar Fiduciary Funds For the Fiscal Year Ended June 30, 2002	12
Statement of Change in Net Assets - Fiduciary Fund Type.....	13
Notes to the General-Purpose Financial Statements	15
Schedule of Federal Awards Expenditures.....	39
Notes to the Schedule of Federal Awards Expenditures	40
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	41
Report of Independent Accountants on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	43
Schedule of Findings.....	45

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

INDEPENDENT ACCOUNTANTS' REPORT

Van Wert City School District
Van Wert County
641 North Jefferson Street
Van Wert, Ohio 45891

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Van Wert City School District, Van Wert County (the School District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position Van Wert City School District, Van Wert County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the School District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

December 23, 2002

This page intentionally left blank.

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

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Cash and Cash Equivalents	\$3,816,409	\$328,114	\$303	\$491,013
Cash in Segregated Accounts				
Investments			12,607	25,064,100
Investments in Segregated Accounts				
Receivables:				
Taxes	6,464,687		708,398	634,193
Accounts	219			
Intergovernmental		17,478		
Accrued Interest				83,157
Prepaid Items	24,197			
Inventory Held for Resale				
Materials and Supplies Inventory				
Restricted Cash	52,993			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Amount available in Debt Service Fund				
Amount to be Provided for Retirement of General Long-Term Debt				
Total Assets and Other Debits	<u>10,358,505</u>	<u>345,592</u>	<u>721,308</u>	<u>26,272,463</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	3,368	122		
Accrued Salaries and Benefits	1,555,320	65,123		
Due to Students				
Compensated Absences Payable	17,985			
Intergovernmental Payable	238,552	10,382		
Deferred Revenue	5,797,853		708,398	551,395
Notes Payable				
Total Liabilities	<u>7,613,078</u>	<u>75,627</u>	<u>708,398</u>	<u>551,395</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Designated for Capital Improvements	6,226			
Designated for Textbooks	16,005			
Retained Earnings				
Fund Balance:				
Reserved:				
Reserved for Encumbrances	29,287	42,392		36,392
Reserved for Prepaid Items	24,197			
Reserved for Property Taxes	666,834			82,798
Reserved for Budget Stabilization	52,993			
Reserved for Individual Investment Account				
Reserved for Principal				
Unreserved Fund Balance	1,949,885	227,573	12,910	25,601,878
Total Fund Equity and Other Credits	<u>2,745,427</u>	<u>269,965</u>	<u>12,910</u>	<u>25,721,068</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$10,358,505</u>	<u>\$345,592</u>	<u>\$721,308</u>	<u>\$26,272,463</u>

The accompanying notes are an integral part of the financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$37,490	\$354,716			\$5,028,045
	526,280			526,280
	200,512			25,076,707
				200,512
				7,807,278
				219
				17,478
	11,124			94,281
				24,197
17,458				17,458
9,690				9,690
				52,993
105,929		11,911,226		12,017,155
			12,910	12,910
			26,688,951	26,688,951
<u>170,567</u>	<u>1,092,632</u>	<u>11,911,226</u>	<u>26,701,861</u>	<u>77,574,154</u>
	267			\$3,757
38,809	6			1,659,258
	64,716			64,716
35,927			1,594,442	1,648,354
23,465	78		107,419	379,896
				7,057,646
			25,000,000	25,000,000
<u>98,201</u>	<u>65,067</u>		<u>26,701,861</u>	<u>35,813,627</u>
		11,911,226		11,911,226
189,802				189,802
				6,226
				16,005
(117,436)				(117,436)
	43			108,114
				24,197
				749,632
				52,993
	737,916			737,916
	112,294			112,294
	177,312			27,969,558
<u>72,366</u>	<u>1,027,565</u>	<u>11,911,226</u>		<u>41,760,527</u>
<u>\$170,567</u>	<u>\$1,092,632</u>	<u>\$11,911,226</u>	<u>\$26,701,861</u>	<u>\$77,574,154</u>

VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
Revenues:						
Taxes	\$6,313,934			\$803,540		\$7,117,474
Tuition and Fees	94,866					94,866
Intergovernmental	8,071,794	1,053,065		184,164		9,309,023
Interest	138,384	158		147,257	2,711	288,510
Rent	35			9,230		9,265
Extracurricular Activities		126,683				126,683
Gifts and Donations	48,082	76,386			115,615	240,083
Customer Services	14,333					14,333
Miscellaneous	959	75,951				76,910
Total Revenues	14,682,387	1,332,243		1,144,191	118,326	17,277,147
Expenditures:						
Current:						
Instruction:						
Regular	7,848,820	420,023			50,557	8,319,400
Special	1,159,814	303,450				1,463,264
Vocational	136,166					136,166
Other	377,295					377,295
Support Services:						
Pupils	530,564	13,080				543,644
Instruction	654,854	193,108		30,757		878,719
Board of Education	40,143					40,143
Administration	1,270,699	18,623				1,289,322
Fiscal	391,033	1,888		23,374		416,295
Operation and Maintenance	1,186,738	1,067		65,699		1,253,504
Transportation	318,803	3,034				321,837
Central Services	96,632	106,072		24,500		227,204
Non-Instructional Services		53,370			18,112	71,482
Extracurricular Activities	253,074	196,750			18,926	468,750
Capital Outlay				6,958		6,958
Total Expenditures	14,264,635	1,310,465		151,288	87,595	15,813,983
Excess (Deficiency) of Revenues Over (Under) Expenditures	417,752	21,778		992,903	30,731	1,463,164
Other Financing Sources (Uses):						
Operating Transfers In	100,280					100,280
Proceeds from Sale of Long-Term Notes				25,000,000		25,000,000
Proceeds from Sale of Fixed Assets	75					75
Other Financing Sources			12,910			12,910
Operating Transfers Out	(136,280)					(136,280)
Total Other Financing Sources (Uses)	(35,925)		12,910	25,000,000		24,976,985
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	381,827	21,778	12,910	25,992,903	30,731	26,440,149
Fund Balances (Deficits) at Beginning of Year	2,363,600	248,187		(271,835)	122,270	2,462,222
Fund Balances (Deficits) at End of Year	\$2,745,427	\$269,965	\$12,910	\$25,721,068	\$153,001	\$28,902,371

The accompanying notes are an integral part of the financial statements.

This page intentionally left blank.

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$6,269,959	\$6,269,959				
Tuition and Fees	93,146	94,701	1,555			
Intergovernmental	8,071,794	8,071,794		1,134,772	1,138,222	3,450
Interest	138,087	138,384	297	136	158	22
Rent	35	35				
Extracurricular Activities				126,683	126,683	
Gifts and Donations	48,082	48,082		76,386	76,386	
Customer Services	14,333	14,333				
Miscellaneous	1,122	1,122		75,951	75,951	
Total Revenues	14,636,558	14,638,410	1,852	1,413,928	1,417,400	3,472
Expenditures:						
Current:						
Instruction:						
Regular	7,936,158	7,801,402	134,756	468,770	436,907	31,863
Special	1,130,405	1,144,383	(13,978)	353,862	304,553	49,309
Vocational	123,371	133,888	(10,517)			
Other	401,102	377,295	23,807			
Support Services:						
Pupils	532,788	523,535	9,253	13,074	13,074	
Instruction	667,623	652,289	15,334	220,711	193,696	27,015
Board of Education	55,330	52,914	2,416			
Administration	1,308,741	1,275,398	33,343	15,593	18,945	(3,352)
Fiscal	398,553	390,784	7,769	1,901	1,901	
Operation and Maintenance	1,278,455	1,197,592	80,863	1,058	1,058	
Transportation	357,822	317,340	40,482	2,957	2,957	
Central Services	107,097	98,518	8,579	144,209	130,538	13,671
Non-Instructional Services				82,020	71,610	10,410
Extracurricular Activities	267,471	253,056	14,415	255,536	210,512	45,024
Capital Outlay					0	0
Total Expenditures	14,564,916	14,218,394	346,522	1,559,691	1,385,751	173,940
Excess (Deficiency) of Revenues Over (Under) Expenditures	71,642	420,016	348,374	(145,763)	31,649	177,412
Other Financing Sources (Uses):						
Advances In	555,000	555,000				
Transfers In	100,280	100,280				
Proceeds From Sale of Long-Term Notes						
Proceeds From Sale of Fixed Assets	75	75				
Refund of Prior Year Expenditures	1,897	1,897		120	120	
Refund of Prior Year Receipts	(104,055)	(104,058)	(3)	(573)	(533)	40
Other Financing Sources						
Advances Out	(155,000)		155,000			
Transfers Out	(136,280)	(136,280)				
Total Other Financing Sources (Uses)	261,917	416,914	154,997	(453)	(413)	40
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	333,559	836,930	503,371	(146,216)	31,236	177,452
Fund Balances (Deficit) at Beginning of Year	2,988,304	2,988,304		208,919	208,919	
Prior Year Encumbrances Appropriated	11,513	11,513		45,445	45,445	
Fund Balances (Deficit) at End of Year	\$3,333,376	\$3,836,747	\$503,371	\$108,148	\$285,600	\$177,452

The accompanying notes are an integral part of the financial statements.

Governmental Fund Types						Fiduciary Fund Types		
Debt Service Funds			Capital Project Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$793,222	\$793,222				
			184,164	184,164	38,088	2,509	2,711	202
			9,230	9,230				
						115,615	115,615	
			986,616	1,024,704	38,088	118,124	118,326	202
						61,850	50,600	11,250
			110,327	30,756	79,571	500		500
			24,000	23,375	625			
			219,105	65,699	153,406			
			24,500	24,500				
						20,200	18,258	1,942
						31,830	18,926	12,904
			243,555	43,351	200,204			
			621,487	187,681	433,806	114,380	87,784	26,596
			365,129	837,023	471,894	3,744	30,542	26,798
			25,000,000	25,000,000				
12,910	12,910		(5,915)	(5,912)	3			
			(525,000)	(525,000)				
12,910	12,910		24,469,085	24,469,088	3			
12,910	12,910		24,834,214	25,306,111	471,897	3,744	30,542	26,798
			149,142	149,142		122,165	122,165	
			37,456	37,456		250	250	
<u>\$12,910</u>	<u>\$12,910</u>	<u>\$0</u>	<u>\$25,020,812</u>	<u>\$25,492,709</u>	<u>\$471,897</u>	<u>\$126,159</u>	<u>\$152,957</u>	<u>\$26,798</u>

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

**COMBINED STATEMENT OF REVENUES
EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
Operating Revenues:			
Sales	\$359,951		\$359,951
Interest		7,254	7,254
Total Operating Revenue	<u>359,951</u>	<u>7,254</u>	<u>367,205</u>
Operating Expenses:			
Salaries	240,394		240,394
Fringe Benefits	107,580		107,580
Purchased Services	19,880		19,880
Cost of Sales	216,650		216,650
Materials and Supplies	48,933	4,033	52,966
Depreciation	22,138		22,138
Other		800	800
Total Operating Expenses	<u>655,575</u>	<u>4,833</u>	<u>660,408</u>
Operating Income (Loss)	<u>(295,624)</u>	<u>2,421</u>	<u>(293,203)</u>
Non-Operating Revenues (Expenses):			
Interest	49		49
Federal Donated Commodities	77,075		77,075
Operating Grant	221,617		221,617
Total Non-Operating Revenues and (Expenses)	<u>298,741</u>		<u>298,741</u>
Income / (Loss) Before Operating Transfers	3,117	2,421	5,538
Operating Transfers In	<u>36,000</u>		<u>36,000</u>
Net Income / (Loss)	<u>39,117</u>	<u>2,421</u>	<u>41,538</u>
Retained Earnings at Beginning of Year	<u>(156,553)</u>	<u>134,227</u>	<u>(22,326)</u>
Retained Earnings at End of Year	<u>(117,436)</u>	<u>136,648</u>	<u>19,212</u>
Contributed Capital at the Beginning and End of Year	<u>189,802</u>		<u>189,802</u>
Total Fund Equity at End of Year	<u><u>\$72,366</u></u>	<u><u>\$136,648</u></u>	<u><u>\$209,014</u></u>

The accompanying notes are an integral part of the financial statements.

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

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY -BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>			<u>Fiduciary Funds</u>		
	<u>Enterprise Funds</u>			<u>Non-Expendable Trust Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Sales	\$359,951	\$359,951				
Operating Grants	243,955	243,955				
Interest		49	49	6,523	7,254	731
Total Revenues	<u>603,906</u>	<u>603,955</u>	<u>49</u>	<u>6,523</u>	<u>7,254</u>	<u>731</u>
Expenditures:						
Salaries	225,270	222,850	2,420			
Fringe Benefits	129,787	123,506	6,281			
Purchased Services	7,845	8,743	(898)			
Materials and Supplies	218,808	215,656	3,152	6,562	5,033	1,529
Capital Outlay		2,500	(2,500)			
Other				800	800	
Total Expenditures	<u>581,710</u>	<u>573,255</u>	<u>8,455</u>	<u>7,362</u>	<u>5,833</u>	<u>1,529</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>22,196</u>	<u>30,700</u>	<u>8,504</u>	<u>(839)</u>	<u>1,421</u>	<u>2,260</u>
Other Financing Sources (Uses):						
Operating Transfers In	36,000	36,000				
Advances Out	(30,000)	(30,000)				
Total Other Financing Sources (Uses)	<u>6,000</u>	<u>6,000</u>				
Excess of Revenues and Other Sources Over (Under) Expenses and Other Uses	<u>28,196</u>	<u>36,700</u>	<u>8,504</u>	<u>(839)</u>	<u>1,421</u>	<u>2,260</u>
Fund Balance beginning of Year	348	348		134,227	134,227	
Prior Year Encumbrances Appropriated						
Fund Balance end of Year	<u>\$28,544</u>	<u>\$37,048</u>	<u>\$8,504</u>	<u>\$133,388</u>	<u>\$135,648</u>	<u>\$2,260</u>

The accompanying notes are an integral part of the financial statements.

VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Type	Fiduciary Funds	Totals (Memorandum Only)
	Enterprise	Non-Expendable Trust	
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$359,951		\$359,951
Cash Payments to Suppliers for Goods and Services	(223,958)	(4,833)	(228,791)
Cash Payments to Employees for Services	(222,849)		(222,849)
Cash Payments for Employee Benefits	(123,506)		(123,506)
	(210,362)	(4,833)	(215,195)
Net Cash Provided by (Used for) Operating Activities			
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	243,955		243,955
Operating Transfers-In	36,000		36,000
Advance Out	(30,000)		(30,000)
	249,955		249,955
Net Cash Provided by (Used for) Noncapital Financing Activities			
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(2,500)		(2,500)
Cash Flows from Investing Activities:			
Cash Received from Interest	49	7,254	7,303
	37,142	2,421	39,563
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at Beginning of Year	348	134,227	134,575
	37,490	136,648	174,138
Cash and Cash Equivalents at End of Year			
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	(295,624)	2,421	(293,203)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	22,138		22,138
Donated Commodities Used During Year	77,075		77,075
Interest Reported as Operating Income		(7,254)	(7,254)
Changes in Assets and Liabilities:			
(Increase)/Decrease in Inventory	(7,631)		(7,631)
Increase/(Decrease) in Accrued Salaries and Benefits	(6,375)		(6,375)
Increase/(Decrease) in Compensated Absences Payable	4,501		4,501
Increase/(Decrease) in Intergovernmental Payables	3,493		3,493
Increase/(Decrease) in Donated Commodities	(7,939)		(7,939)
	85,262	(7,254)	78,008
Total Adjustments			
Net Cash Provided by Operating Activities			
	(\$210,362)	(\$4,833)	(\$215,195)
Reconciliation of Trust and Agency Funds:			
Cash and Cash Equivalents - All Fiduciary Funds	\$354,716		
Cash and Cash Equivalents - All Agency Funds	(65,067)		
Cash and Cash Equivalents - All Expendable Trust Funds	(153,001)		
Cash and Cash Equivalents - All Non-expendable Trust Funds	\$136,648		

The accompanying notes are an integral part of the financial statements.

VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY

STATEMENT OF CHANGE IN NET ASSETS
FIDUCIARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Investment Trust Funds</u> <u>Individual</u> <u>Investment</u> <u>Account</u>
Revenues:	
Interest	\$35,802
Non-Operating Revenues:	
Distributions to participants	(60,429)
Capital transactions	<u>(152,843)</u>
Total Decrease in Net Assets	(177,470)
Net Assets at Beginning of Year	<u>915,386</u>
Net Assets at End of Year	<u><u>\$737,916</u></u>

The accompanying notes are an integral part of the financial statements.

This page intentionally left blank.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is located in a prosperous community within Van Wert County, consisting of residences and significant office and retail commercial development. The School District is the 220th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 84 non-certificated employees and 174 certificated full-time teaching personnel who provide services to 2,333 students and other community members.

The reporting entity is comprised of the primary government and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government 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 organizations' 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 School District does not have any component units.

The School District is associated with six organizations which are defined as jointly governed organizations and public entity risk pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Vantage Joint Vocational School, Northwest Ohio Area Cooperative Workers' Compensation Group Rating Plan, Van Wert Area Schools Consortium Local Professional Development Committee, Van Wert Area School Insurance Group (VWASIG) and the Ohio School Plan. These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. 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, together with all related liabilities and residual equities or balances, 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. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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, proprietary, and fiduciary.

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund

The General Fund is the operating fund of the School District and 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.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds

Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

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

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue.

Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

C. 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 is at the fund-object level within the General Fund and at the fund level for the rest of the funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

1. Tax Budget

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

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

2. Estimated Resources

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 revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. 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 expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, 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 budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. Lapsing of Appropriations

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

D. Estimates

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District, except for the VWASIG individual investment trust fund, is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2002, investments were limited to certificates of deposit, no load money market mutual funds, Federal National Mortgage Association, Federal Home Loan Bank, and STAROhio. All investments of the School District had a maturity of two years or less. Investments are stated at cost or amortized cost which approximates market. Investment earnings are allocated as authorized by State statute.

The School District has a segregated bank account for the individual investment account held separate from the School District's bank accounts. The depository account is presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since it is not required to be deposited into the School District's treasury. Investments for the individual investment account are recorded as "Investments in Segregated Account".

Except for non participation investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Star Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the fiscal year 2002 amounted to \$138,384, which includes \$51,170 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of twelve months or less at the time they are purchased by the School District are considered to be cash equivalents.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Contributed Capital

Contributed capital represents resources from other funds. These assets are recorded at their fair market value on the date contributed and are not subject to repayment.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance Reserves and Designations

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepaid items, property taxes, budget stabilization, principal and individual investment account. The reserve for budget stabilization represents money required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The reserve for individual investment account represents monies of the VWASIG individual investment trust fund that are invested by the School District.

The designations for textbooks and capital improvements in the general fund represent revenues set aside that exceed statutorily required amounts.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY AND COMPLIANCE

The following fund had deficit fund balance/retained earnings at June 30, 2002:

Special Revenue Funds:	
EMIS Fund	\$ 250
Professional Development Fund	52
499 Miscellaneous Grant Fund	1,846
Eisenhower Fund	3,239
Extended Learning Opportunity Grant Fund	72
Enterprise Funds:	
Lunchroom	\$ 117,436

The deficits resulted from the application of generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Similar Fiduciary Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Proprietary Fund Types and Similar Fiduciary Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile to GAAP and budgetary basis statements by fund type:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP basis-fund balance	\$2,745,427	\$269,965	\$12,910	\$25,721,068	\$153,001
Adjustment for GAAP basis:					
Accrued revenues / prepaid expenses	(6,489,103)	(17,478)	-	(717,350)	-
Accrued expenditures/ deferred revenue	7,613,078	75,627	-	551,395	-
Unrealized gain on investment	-	-	-	(26,012)	-
Encumbrances outstanding (budget basis)	<u>(32,655)</u>	<u>(42,514)</u>	<u>-</u>	<u>(36,392)</u>	<u>(44)</u>
Budget basis-fund balance	<u>\$3,836,747</u>	<u>\$285,600</u>	<u>\$12,910</u>	<u>\$25,492,709</u>	<u>\$152,957</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

	<u>Enterprise</u>	<u>Non-Expendable Trust</u>
GAAP basis - fund equity	\$ 72,366	\$136,648
Adjustment for GAAP basis:		
Accrued revenues/prepaid expenses	(105,929)	-
Accrued expenses/deferred revenue	98,200	-
Inventory	(27,148)	-
Encumbrances outstanding (budget basis)	<u>(441)</u>	<u>(1,000)</u>
Budget basis - fund balance	<u>\$ 37,048</u>	<u>\$135,648</u>

5. DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, 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 notes, bills bonds, or other obligations or security issued by the United States or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal 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 securities shall be direct issuances of federal government agencies or instrumentalities;

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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;
5. 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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.

At fiscal year end, the School District had \$1,380 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits for the School District

At fiscal year end, the carrying amount of the School District's deposits was \$2,211,697 and the bank balance was \$2,450,222. Of the Bank balance, \$300,000 was covered by federal depository insurance and \$2,150,222 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Deposits for Van Wert Area School Insurance Group (VWASIG)

At fiscal year end, the carrying amount of the VWASIG's deposits was \$726,792 and the bank balance was \$755,922. Of the bank balance, \$200,000 was covered by federal depository insurance and \$555,922 was uninsured and uncollateralized. Although, the securities serving as collateral were held by the pledging financial institution's trust department in the name of VWASIG and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject VWASIG to a successful claim by the Federal Deposit Insurance Corporation.

Investments

Investments are required to be categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Van Wert City School District. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Van Wert City School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Van Wert City School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio Treasurer, and mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Carrying Value	Fair Value
Money Market Mutual Funds		\$ 12,694,172	\$12,694,172
Federal National Mortgage Association	\$5,623,494	5,623,494	5,623,494
Federal Home Loan Bank	<u>6,759,041</u>	6,759,041	6,759,041
STAROhio		<u>2,867,961</u>	<u>2,867,961</u>
Totals	<u>\$12,382,535</u>	<u>\$ 27,944,668</u>	<u>\$27,944,668</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$ 5,607,318	\$ 25,277,219
Cash on Hand	(1,380)	-
Certificates of Deposit	200,512	(200,512)
STAR Ohio	<u>(2,867,961)</u>	<u>2,867,961</u>
GASB Statement 3	<u>\$ 2,938,489</u>	<u>\$ 27,944,668</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. INDIVIDUAL INVESTMENT ACCOUNT

Van Wert City Schools serves as fiscal agent for the Van Wert Area Schools Insurance Group (VWASIG), a legal separate entity. The School acquires specific investments on behalf of the VWASIG. Investments are limited to certificates of deposit. All interest on these investments accrues to the benefit of the VWASIG. The individual investment account is not registered with the SEC as an investment company. The fair value of investments is determined annually.

7. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes.

Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$666,834 in the General Fund and \$82,798 in the Capital Projects Fund.

The assessed values upon which fiscal year 2002 taxes were collected are:

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

7. PROPERTY TAXES (Continued)

	2001 Second-Half Collections		2002 First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property				
Residential/Agricultural	\$126,990,020	58.08%	\$128,681,700	58.31%
Commercial/Industrial	41,177,230	18.83	41,876,480	18.98
Public Utilities	59,700	.03	58,050	.03
Tangible Personal Property				
General	40,361,156	18.46	42,608,170	19.31
Public Utilities	<u>10,053,350</u>	<u>4.60</u>	<u>7,434,590</u>	<u>3.37</u>
Total Valuation	<u>\$218,641,456</u>	<u>100.00%</u>	<u>\$220,658,990</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$52.20		\$52.20	

8. RECEIVABLES

Receivables at June 30, 2002 consisted of property taxes, accounts, intergovernmental, and accrued interest. All receivables are considered collectible in full. A summary of the receivables follows:

	<u>Amounts</u>
General Fund	
Taxes	\$6,464,687
Accounts	219
Special Revenue Funds	
Intergovernmental	17,478
Debt Service	
Taxes	708,398
Capital Projects Funds	
Taxes	634,193
Accrued Interest	83,157
Trust & Agency Funds	
Accrued Interest	<u>11,124</u>
Total Receivables	<u>\$7,919,256</u>

9. FIXED ASSETS

A summary of the Proprietary Fund property, plant, and equipment at June 30, 2002, is as follows:

	<u>Balance June 30, 2002</u>
Furniture and Equipment	282,734
Less: Accumulated Depreciation to June 30, 2002	<u>(176,805)</u>
Net Fixed Assets - Proprietary Funds	<u>\$105,929</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

9. FIXED ASSETS (Continued)

A summary of the general fixed assets follows:

	Balance at 6/30/01	Additions	Deletions	Adjustments	Balance at 6/30/02
Land and Improvements	\$ 986,628	\$ -	\$ -	\$ -	\$ 986,628
Building	7,873,644	6,958	-	(1,737)	7,878,865
Furniture and Equipment	1,879,143	322,867	(7,088)	-	2,194,922
Vehicles	802,193	61,938	(13,320)	-	850,811
Total	<u>\$11,541,608</u>	<u>\$391,763</u>	<u>\$ (20,408)</u>	<u>\$ (1,737)</u>	<u>\$11,911,226</u>

10. RISK MANAGEMENT

Public Liability

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2002, the School District contracted with the The Ohio School Plan for property and general liability insurance and boiler and machinery insurance. Professional liability is protected by Nationwide Insurance Company with \$1,000,000 each occurrence, \$3,000,000 in annual aggregate limit.

Vehicles are also covered by Nationwide Insurance Company. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. In addition, there is a \$2,000,000 excess liability policy which provides additional liability coverage to both the general liability policy and the auto policy through the Ohio School Plan

Public officials' bond insurance is provided by the Ohio Farmers Insurance Company, Purmort Brothers Agency, Van Wert, Ohio.

For fiscal year 2002, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

Workers' Compensation

For fiscal year 2002, the School District participated in NOACSC Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Acordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

10. RISK MANAGEMENT (Continued)

Health Care Benefits

The School District participates in the Van Wert Area School Insurance Group (VWASIG), a public entity shared risk pool consisting of five members. (See Note 16) Each member pays premiums to VWASIG for employee medical, dental, and life insurance benefits to the employees of the participants. VWASIG is responsible for the management and operation of the program. Upon withdrawal, the School District is responsible for the payment of all the VWASIG liabilities to its employees, dependants, and designated beneficiaries accruing as a result of the withdrawal. Upon termination of VWASIG, all member's claims would be paid without regard to the member's account balance.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Van Wert City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 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 the fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal years 2001 and 2000, 4.2 percent and 5.5 percent were used to fund pension obligations, respectively. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$90,416, \$61,205 and \$82,393, respectively; 20.35 percent has been contributed for fiscal year 2002, and 100 percent for the fiscal years 2001 and 2000. \$72,012 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salary. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$771,354, \$742,206 and \$443,630, respectively; 82.82 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$132,490, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

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. The Board's liability is 6.2 percent of wages paid.

12. POST RETIREMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School District the amount to fund health care benefits equaled \$365,378 during the 2002 fiscal year. As of June 30, 2001, eligible benefit recipients totaled 102,132. For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. The balance in the fund was \$3,256 million at June 30, 2001.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District the amount to fund health care equaled \$167,605 during the 2002 fiscal year. The number of participants currently receiving health care benefits is 50,000. For the fiscal year ended June 30, 2001, net health care costs paid by SERS were \$161,439,934. At June 30, 2001 STRS had net assets available for payment of healthcare benefits of \$315.7 million.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

13. COMPENSATED ABSENCES

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 195 days for all personnel. An additional 25 days over the 195 days can be accumulated and paid at retirement but not used for sick leave. Upon retirement, payment is made for 25.7% of accrued and any days accumulated over the 195 day limit not to exceed 25 days. A maximum of 75.12 days can be paid at retirement.

14. LONG-TERM DEBT

Long-Term Obligations

Long-term obligations of the School District at June 30, 2002, consisted of the following:

	<u>Principal Outstanding 6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/02</u>
Bond anticipation note - School building construction				
Interest rate - 2.5%	\$ -	\$25,000,000	\$ -	\$25,000,000
Intergovernmental Payable	81,416	107,419	(81,416)	107,419
Compensated Absences	<u>1,377,549</u>	<u>216,893</u>	<u>-</u>	<u>1,594,442</u>
Total General Long-Term Obligations	<u>\$1,458,965</u>	<u>\$25,324,312</u>	<u>\$ (81,416)</u>	<u>\$26,701,861</u>

General obligation notes will be paid from the debt service fund. Compensated absences and intergovernmental payable will be paid from the fund which the person is paid.

Future Debt Requirements

The annual requirements to amortize all bonded debt outstanding as of June 30, 2002 are as follows:

<u>Year Ending June 30, 2003</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$25,000,000	\$323,630	\$25,323,630

This debt is the result of a bond anticipation note that the School District issued on April 4, 2002, for \$25,000,000. The notes mature on October 10, 2002 and carried an interest rate of 2.5%. The note proceeds will be used to construct a new high school. On July 10, 2002, the School District, issued \$25,000,000 in school improvement bonds. The bond proceeds were used to retire bond anticipation notes maturing October 10, 2002. The bonds mature on December 1, 2030, and carry interest rates ranging from 2 - 5%.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these schools supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting Michael Wildermuth, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

B. Vantage Joint Vocational School

The Vantage Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Joint Vocational School at 818 North Franklin Street, Van Wert, Ohio 45891.

C. Van Wert Area Schools Consortium Local Professional Development Committee

The School District is a participant in the Van Wert Area Schools Consortium Local Professional Development Committee (the Committee) which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by a board made up of one teacher from Crestview Local School District, one teacher from Lincolnview Local School District, two teachers from Van Wert City School District, three teachers from Vantage Joint Vocational School District, two teachers collectively from the Western Buckeye Educational Service Center and the Thomas Edison MRDD, and one principal from the schools of the Consortium with terms of three years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Van Wert City School District, 641 North Jefferson Street, Van Wert.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

16. GROUP PURCHASING POOLS

A. Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Plan

The School District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the Northwest Ohio Area Computer Service Cooperative as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

B. Van Wert Area School Insurance Group (VWASIG)

The School District is a member of the Van Wert Area School Insurance Group (VWASIG) a cooperative group of Van Wert County Schools established to provide a self-insurance fund to provide life insurance and pay medical/surgical, prescription drug, and dental benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member schools and is administered by Calends Inc. of Fort Wayne, Indiana. The fiscal records of the pool are maintained and kept by the Van Wert City School District.

C. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

17. CONTINGENCIES (Continued)

B. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

C. Litigation

The School District is of the opinion that any current or future claims will either result in a favorable outcome or be covered by current insurance policies, so as not to materially affect the overall financial position of the School District.

18. STATUTORY RESERVES

The School District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set-Aside Cash Balance as of June 30, 2001	\$ -	\$ -	\$ 52,993
Carryover	(76,544)	-	-
Required Set-Aside	277,000	277,000	-
Offset Credits	-	(25,000,000)	-
Qualifying Expenditures	<u>(327,270)</u>	<u>(138,671)</u>	<u>-</u>
Total	<u>\$(126,814)</u>	<u>\$(24,861,671)</u>	<u>\$ 52,993</u>
Cash balance carried forward to following year 2002	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,993</u>

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

19. SUBSEQUENT EVENTS

On July 10, 2002, the School District, issued \$25,000,000 in school improvement bonds. The bond proceeds were used to retire bond anticipation notes maturing October 10, 2002. The bonds mature on December 1, 2030, and carry interest rates ranging from 2 - 5%.

VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
School Breakfast Program	044966 05-PU	10.553	\$23,155		\$23,155	
National School Lunch Program	044966 03 & 04 -PU	10.555	209,887		209,887	
Food Distribution	N/A	10.550		69,883		63,025
Total U.S. Department of Agriculture - Nutrition Cluster			233,042	69,883	233,042	63,025
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)						
Medical Assistance Program	8100156	93.778	31,585		31,585	
Total U.S. Department of Health and Human Services			31,585		31,585	
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Special Education Cluster:						
Special Education_Grants to States	044966-6B-SF2001P	84.027	31,279		38,964	
Special Education_Grants to States	044966-6B-SF2002P	84.027	221,743		185,749	
Total			253,022		224,713	
Special Education_Preschool Grants	044966PG-S1 2001P	84.173	4,008		4,008	
Special Education_Preschool Grants	044966PG-S1 2002P	84.173	13,027		13,027	
Total			17,035		17,035	
Total Special Education Cluster			270,057		241,748	
Title I Grants to Local Educational Agencies	044966 C1-S1 02	84.010	170,230		135,729	
Title I Grants to Local Educational Agencies	044966 C1-S1 01	84.010	25,204		40,591	
Title I Grants to Local Educational Agencies	044966 C1-S1 02C	84.010	6,889		6,889	
Total			202,323		183,209	
Eisenhower Professional Development State Grants	044966-MS-S1 2001	84.281			4,968	
Eisenhower Professional Development State Grants	044966-MS-S1 2002	84.281	10,602		2,452	
Total			10,602		7,420	
Class Size Reduction Subsidy	044966 CR-S1-01	84.340			3,520	
Class Size Reduction Subsidy	044966 CR-S1-02	84.340	53,015		41,154	
Total			53,015		44,674	
Technology Literacy Challenge Fund Grant	044966-TFV2-2000	84.318	65,000		65,000	
Technology Literacy Challenge Fund Grant	044966-TF51-2001	84.318	100,000		100,000	
Technology Literacy Challenge Fund Grant	044966-TF52-2001	84.318	75,000		75,000	
Technology Literacy Challenge Fund Grant	044966-TF53-2001	84.318	25,000		22,246	
Technology Literacy Challenge Fund Grant	044966TFVL-2000	84.318	9,000		9,000	
Total			274,000		271,246	
Drug Free Schools	044966-DR-S1-2002	84.186	9,642		9,642	
Total			9,642		9,642	
Assistive Technology Infusion Grant	044966-ATS1-2002	84.352	2,373		2,121	
Total			2,373		2,121	
Innovative Education Program Strategies	044966 C2-S1 2002	84.298	12,706		12,129	
Innovative Education Program Strategies	044966 C2-S1 2001	84.298	10,196		7,565	
Total			22,902		19,694	
Total U.S. Department of Education			844,914		779,754	
Total Federal Assistance			\$1,109,541	\$69,883	\$1,044,381	\$63,025

See Accompanying Notes to the Schedule of Federal Awards Expenditures

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the School District had \$14,050 in donated food commodity inventory.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require that the School District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal matching funds is not included on the Schedule.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Van Wert City School District
Van Wert County
641 North Jefferson Street
Van Wert, Ohio 45891

To Board of Education:

We have audited the financial statements of Van Wert City School District, Van Wert County (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 23, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 23, 2002.

Van Wert City School District
Van Wert County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

December 23, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Van Wert City School District
Van Wert County
641 North Jefferson Street
Van Wert, Ohio 45891

To the Board of Education:

Compliance

We have audited the compliance of Van Wert City School District (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

December 23, 2002

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster, CFDA #s: 10.550, 10.553, and 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
FEBRUARY 4, 2003**