



**Auditor of State  
Betty Montgomery**



**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

Van Buren Local School District  
Hancock County  
217 South Main Street  
Van Buren, Ohio 45889-9720

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Van Buren Local School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the 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 of the Van Buren Local School District, Hancock County, as of June 30, 2001, and the results of its operations and the cash flows of its enterprise 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 January 17, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

January 17, 2003

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**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,716,406	\$186,587		\$12,031,795
Cash and Cash Equivalents with Fiscal Agents		7,690	\$4,653	
Receivables:				
Property Taxes	4,681,202		750,275	254,005
Accounts	150	718		
Intergovernmental	155	407		
Interfund	38,660			
Prepaid Items	35,725	207		
Inventory Held for Resale				
Materials and Supplies Inventory	6,891			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	151,040			
Fixed Assets (net, where applicable, of accumulated depreciation)				
<b>Other Debits:</b>				
Amount Available in Special Revenue				
Fund for Payment of Termination Benefits				
Amount to be Provided from General Governmental Resources				
<b>Total Assets and Other Debits</b>	<b>\$6,630,229</b>	<b>\$195,609</b>	<b>\$754,928</b>	<b>\$12,285,800</b>



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$32,211	\$20,053			\$13,987,052
				12,343
				5,685,482
2,439				3,307
				562
				38,660
1,282				37,214
18,437				18,437
210				7,101
				151,040
22,103		\$6,005,550		6,027,653
			\$91,302	91,302
			11,923,812	11,923,812
<b>\$76,682</b>	<b>\$20,053</b>	<b>\$6,005,550</b>	<b>\$12,015,114</b>	<b>\$37,983,965</b>

(Continued)

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2001  
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$29,092	\$7,255		\$7,000
Accrued Wages and Benefits	451,762	121		
Compensated Absences Payable	6,298	43,127		
Intergovernmental Payable	96,712	310		7,944
Interfund Payable			\$38,660	
Deferred Revenue	4,503,739		717,435	243,308
Due to Students				
Matured Bonds Payable			3,000	
Matured Interest Payable			1,653	
General Obligation Bonds Payable				
	<u>5,087,603</u>	<u>50,813</u>	<u>760,748</u>	<u>258,252</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved (Deficit)				
Fund Balance:				
Reserved for Property Taxes	177,463		32,840	10,697
Reserved for Inventory	6,891			
Reserved for Textbooks	119,825			
Reserved for Budget Stabilization	17,382			
Reserved for Bus Purchase	13,833			
Reserved for Encumbrances	193,337	9,695		116,476
Designated for Termination Benefits		91,302		
Unreserved, Undesignated (Deficit)	1,013,895	43,799	(38,660)	11,900,375
	<u>1,542,626</u>	<u>144,796</u>	<u>(5,820)</u>	<u>12,027,548</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$6,630,229</b>	<b>\$195,609</b>	<b>\$754,928</b>	<b>\$12,285,800</b>

*See Accompanying Notes to the General-Purpose Financial Statements*

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
				\$43,390
\$43				464,892
13,009				468,337
6,049			\$412,863	168,092
7,785			55,341	38,660
				5,470,822
6,340	\$20,053			20,053
				3,000
				1,653
			11,546,910	11,546,910
<u>33,226</u>	<u>20,053</u>		<u>12,015,114</u>	<u>18,225,809</u>
		\$6,005,550		6,005,550
47,110				47,110
(3,654)				(3,654)
				221,000
				6,891
				119,825
				17,382
				13,833
				319,508
				91,302
				12,919,409
<u>43,456</u>		<u>6,005,550</u>		<u>19,758,156</u>
<u>\$76,682</u>	<u>\$20,053</u>	<u>\$6,005,550</u>	<u>\$12,015,114</u>	<u>\$37,983,965</u>

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
Property Taxes	\$4,488,484		\$59,625	\$493,216	\$5,041,325
Intergovernmental	1,031,289	\$171,126	30,818	37,489	1,270,722
Interest	282,474			299,084	581,558
Tuition and Fees	15,208				15,208
Extracurricular Activities	7,070	89,066			96,136
Gifts and Donations	156,156	18,647			174,803
Miscellaneous	29,589	335		160,160	190,084
Total Revenues	<u>6,010,270</u>	<u>279,174</u>	<u>90,443</u>	<u>989,949</u>	<u>7,369,836</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	2,684,173	111,605		7,000	2,802,778
Special	529,204	40,093			569,297
Vocational	149,715	13,995			163,710
Other	253,103				253,103
Support Services:					
Pupils	117,546	23,733			141,279
Instructional Staff	161,920	20,334			182,254
Board of Education	32,752				32,752
Administration	520,311	9,491			529,802
Fiscal	218,329	171	5,122		223,622
Operation and Maintenance of Plant	546,885	3,953			550,838
Pupil Transportation	342,209				342,209
Central	7,451	7,747		7,944	23,142
Extracurricular Activities	145,342	125,699			271,041
Capital Outlay	107,128			216,350	323,478
Debt Service:					
Interest and Fiscal Charges			91,141	445,771	536,912
Total Expenditures	<u>5,816,068</u>	<u>356,821</u>	<u>96,263</u>	<u>677,065</u>	<u>6,946,217</u>
Excess of Revenues Over (Under) Expenditures	<u>194,202</u>	<u>(77,647)</u>	<u>(5,820)</u>	<u>312,884</u>	<u>423,619</u>
<b>Other Financing Sources (Uses):</b>					
Sale of Fixed Assets	600				600
Proceeds of Bonds				11,542,471	11,542,471
Operating Transfers In		59,185			59,185
Operating Transfers Out	(59,185)				(59,185)
Total Other Financing Sources (Uses)	<u>(58,585)</u>	<u>59,185</u>		<u>11,542,471</u>	<u>11,543,071</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	135,617	(18,462)	(5,820)	11,855,355	11,966,690
Fund Balances at Beginning of Year	1,406,708	163,258		172,193	1,742,159
Increase in Reserve for Inventory	301				301
<b>Fund Balances (Deficit) at End of Year</b>	<u><u>\$1,542,626</u></u>	<u><u>\$144,796</u></u>	<u><u>(\$5,820)</u></u>	<u><u>\$12,027,548</u></u>	<u><u>\$13,709,150</u></u>

*See Accompanying Notes to the General-Purpose Financial Statements*

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget (Non-GAAP Basis) and Actual Comparison  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2001**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Property Taxes	\$4,547,183	\$4,536,304	(\$10,879)
Intergovernmental	933,583	1,031,134	97,551
Interest	150,000	290,342	140,342
Tuition and Fees		15,208	15,208
Extracurricular Activities	7,100	7,070	(30)
Gifts and Donations	5,000	156,156	151,156
Miscellaneous	8,000	17,417	9,417
Total Revenues	5,650,866	6,053,631	402,765
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,801,268	2,777,623	23,645
Special	524,381	519,475	4,906
Vocational	159,604	152,161	7,443
Other	253,460	253,103	357
Support Services:			
Pupils	122,571	120,803	1,768
Instructional Staff	168,235	162,874	5,361
Board of Education	44,329	43,392	937
Administration	532,556	523,906	8,650
Fiscal	221,555	218,348	3,207
Operation and Maintenance of Plant	587,420	575,908	11,512
Pupil Transportation	417,709	410,494	7,215
Central	10,575	7,451	3,124
Non-Instructional Services			
Extracurricular Activities	147,510	144,800	2,710
Capital Outlay	109,787	109,720	67
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	6,100,960	6,020,058	80,902
Excess of Revenues Over (Under) Expenditures	(450,094)	33,573	483,667
<b>Other Financing Sources (Uses):</b>			
Sale of Fixed Assets	1,000	400	(600)
Proceeds of Bonds			
Proceeds of Notes			
Other Financing Sources			
Refund of Prior Year Expenditures	1,000	12,151	11,151
Operating Transfers In			
Operating Transfers Out	(59,185)	(59,185)	
Advances In			
Advances Out	(38,665)	(38,660)	5
Total Other Financing Sources (Uses)	(95,850)	(85,294)	10,556
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(545,944)	(51,721)	494,223
Fund Balances at Beginning of Year	1,578,058	1,578,058	
Prior Year Encumbrances Appropriated	118,425	118,425	
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$1,150,539</b>	<b>\$1,644,762</b>	<b>\$494,223</b>

(Continued)

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget (Non-GAAP Basis) and Actual Comparison  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Property Taxes			
Intergovernmental	\$119,185	\$119,185	
Interest			
Tuition and Fees			
Extracurricular Activities	99,000	88,519	(\$10,481)
Gifts and Donations	33,900	18,511	(15,389)
Miscellaneous		300	300
Total Revenues	252,085	226,515	(25,570)
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	95,290	88,573	6,717
Special	42,530	40,467	2,063
Vocational			
Other			
Support Services:			
Pupils			
Instructional Staff	5,147	4,944	203
Board of Education			
Administration	1,000	1,000	
Fiscal			
Operation and Maintenance of Plant	3,953	3,953	
Pupil Transportation			
Central	11,900	8,434	3,466
Non-Instructional Services			
Extracurricular Activities	163,265	131,546	31,719
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	323,085	278,917	44,168
Excess of Revenues Over (Under) Expenditures	(71,000)	(52,402)	18,598
<b>Other Financing Sources (Uses):</b>			
Sale of Fixed Assets			
Proceeds of Bonds			
Proceeds of Notes			
Other Financing Sources			
Refund of Prior Year Expenditures		621	621
Operating Transfers In	59,185	59,185	
Operating Transfers Out			
Advances In			
Advances Out			
Total Other Financing Sources (Uses)	59,185	59,806	621
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(11,815)	7,404	19,219
Fund Balances at Beginning of Year	148,236	148,236	
Prior Year Encumbrances Appropriated	16,136	16,136	
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$152,557</b>	<b>\$171,776</b>	<b>\$19,219</b>

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$275,538	\$269,926	(\$5,612)	\$246,359	\$246,095	(\$264)
33,000	30,818	(2,182)	36,735	37,489	754
				299,084	299,084
<u>308,538</u>	<u>300,744</u>	<u>(7,794)</u>	<u>283,094</u>	<u>582,668</u>	<u>299,574</u>
			104,857	104,201	656
			4,061	1,051	3,010
			5,403	5,403	
5,500	5,122	378	5,510	4,522	988
			10,000	9,697	303
			12,000	8,000	4,000
			5,530	5,177	353
			5,000	4,945	55
			252,856	220,252	32,604
9,975,000	9,975,000			202,630	(202,630)
334,282	334,282				
<u>10,314,782</u>	<u>10,314,404</u>	<u>378</u>	<u>405,217</u>	<u>565,878</u>	<u>(160,661)</u>
<u>(10,006,244)</u>	<u>(10,013,660)</u>	<u>(7,416)</u>	<u>(122,123)</u>	<u>16,790</u>	<u>138,913</u>
9,975,000	9,975,000		1,525,000	1,567,471	42,471
			9,975,000	9,975,000	
				160,160	160,160
	38,660	38,660			
<u>9,975,000</u>	<u>10,013,660</u>	<u>38,660</u>	<u>11,500,000</u>	<u>11,702,631</u>	<u>202,631</u>
(31,244)		31,244	11,377,877	11,719,421	341,544
			81,784	81,784	
			99,170	99,170	
<u><b>(\$31,244)</b></u>		<u><b>\$31,244</b></u>	<u><b>\$11,558,831</b></u>	<u><b>\$11,900,375</b></u>	<u><b>\$341,544</b></u>

(Continued)

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget (Non-GAAP Basis) and Actual Comparison  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Property Taxes	\$5,069,080	\$5,052,325	(\$16,755)
Intergovernmental	1,122,503	1,218,626	96,123
Interest	150,000	589,426	439,426
Tuition and Fees		15,208	15,208
Extracurricular Activities	106,100	95,589	(10,511)
Gifts and Donations	38,900	174,667	135,767
Miscellaneous	8,000	17,717	9,717
Total Revenues	6,494,583	7,163,558	668,975
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	3,001,415	2,970,397	31,018
Special	566,911	559,942	6,969
Vocational	163,665	153,212	10,453
Other	253,460	253,103	357
Support Services:			
Pupils	122,571	120,803	1,768
Instructional Staff	173,382	167,818	5,564
Board of Education	44,329	43,392	937
Administration	538,959	530,309	8,650
Fiscal	232,565	227,992	4,573
Operation and Maintenance of Plant	601,373	589,558	11,815
Pupil Transportation	417,709	410,494	7,215
Central	34,475	23,885	10,590
Non-Instructional Services	5,530	5,177	353
Extracurricular Activities	315,775	281,291	34,484
Capital Outlay	362,643	329,972	32,671
Debt Service:			
Principal Retirement	9,975,000	9,975,000	
Interest and Fiscal Charges	334,282	536,912	(202,630)
Total Expenditures	17,144,044	17,179,257	(35,213)
Excess of Revenues Over (Under) Expenditures	(10,649,461)	(10,015,699)	633,762
<b>Other Financing Sources (Uses):</b>			
Sale of Fixed Assets	1,000	400	(600)
Proceeds of Bonds	11,500,000	11,542,471	42,471
Proceeds of Notes	9,975,000	9,975,000	
Other Financing Sources		160,160	160,160
Refund of Prior Year Expenditures	1,000	12,772	11,772
Operating Transfers In	59,185	59,185	
Operating Transfers Out	(59,185)	(59,185)	
Advances In		38,660	38,660
Advances Out	(38,665)	(38,660)	5
Total Other Financing Sources (Uses)	21,438,335	21,690,803	252,468
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	10,788,874	11,675,104	886,230
Fund Balances at Beginning of Year	1,808,078	1,808,078	
Prior Year Encumbrances Appropriated	233,731	233,731	
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$12,830,683</b>	<b>\$13,716,913</b>	<b>\$886,230</b>

See Accompanying Notes to the General-Purpose Financial Statements



**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in Fund Equity  
Enterprise Funds  
For the Fiscal Year Ended June 30, 2001**

<b>Operating Revenues:</b>	
Sales	\$174,422
Charges for Services	<u>220</u>
Total Operating Revenues	<u>174,642</u>
 <b>Operating Expenses:</b>	
Salaries	73,934
Fringe Benefits	31,624
Purchased Services	1,542
Materials and Supplies	4,870
Cost of Sales	97,240
Depreciation	3,264
Other Operating Expenses	<u>274</u>
Total Operating Expenses	<u>212,748</u>
Operating Loss	<u>(38,106)</u>
 <b>Non-Operating Revenues:</b>	
Federal Donated Commodities	15,254
Operating Grants	18,022
Interest	<u>563</u>
Total Non-Operating Revenues	<u>33,839</u>
Net Loss	(4,267)
Retained Earnings at Beginning of Year	<u>613</u>
Retained Earnings (Deficit) at End of Year	<u>(3,654)</u>
Contributed Capital at Beginning of Year	41,933
Contributed from Other Funds	<u>5,177</u>
Contributed Capital at End of Year	<u>47,110</u>
<b>Total Fund Equity at End of Year</b>	<b><u><u>\$43,456</u></u></b>

*See Accompanying Notes to the General-Purpose Financial Statements*

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in Fund Balances  
Budget (Non-GAAP Basis) and Actual Comparison  
Enterprise Funds  
For the Fiscal Year Ended June 30, 2001**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Sales	\$181,000	\$174,626	(\$6,374)
Charges for Services	3,500	220	(3,280)
Interest			
Operating Grants	17,800	18,022	222
Interest	500	563	63
Other Revenues			
	<hr/>	<hr/>	<hr/>
Total Revenues	<u>202,800</u>	<u>193,431</u>	<u>(9,369)</u>
<b>Expenses:</b>			
Salaries	77,480	73,928	3,552
Fringe Benefits	31,210	30,777	433
Purchased Services	2,000	1,825	175
Materials and Supplies	111,629	94,814	16,815
Capital Outlay	2,000		2,000
Other Expenses	425	274	151
	<hr/>	<hr/>	<hr/>
Total Expenses	<u>224,744</u>	<u>201,618</u>	<u>23,126</u>
Excess of Expenses Over Revenues	(21,944)	(8,187)	13,757
Fund Balances at Beginning of Year	37,927	37,927	
Prior Year Encumbrances Appropriated	<hr/>	<hr/>	<hr/>
	1,769	1,769	
<b>Fund Balances at End of Year</b>	<u><u>\$17,752</u></u>	<u><u>\$31,509</u></u>	<u><u>\$13,757</u></u>

*See Accompanying Notes to the General-Purpose Financial Statements*

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Cash Flows  
Enterprise Funds  
For the Fiscal Year Ended June 30, 2001**

**Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities:

Cash Received from Customers	\$174,846
Cash Payments for Salaries	(73,928)
Cash Payments for Fringe Benefits	(30,777)
Cash Payments to Suppliers for Goods and Services	(95,937)
Cash Payments for Other Expenses	(274)
Net Cash Used for Operating Activities	<u>(26,070)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	<u>18,022</u>
-------------------------------------	---------------

Cash Flows from Investing Activities:

Cash Received from Interest	<u>563</u>
-----------------------------	------------

Net Decrease in Cash and Cash Equivalents	(7,485)
---	---------

Cash and Cash Equivalents at Beginning of Year	<u>39,696</u>
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<b>Cash and Cash Equivalents at End of Year</b>	<b><u><u>\$32,211</u></u></b>
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**Reconciliation of Operating Loss to Net**

**Cash Used for Operating Activities:**

Operating Loss	(\$38,106)
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Adjustments to Reconcile Operating Loss to

Net Cash Used for Operating Activities:

Depreciation	3,264
Donated Commodities Used During Year	15,254
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	204
Decrease in Prepaid Items	201
Increase in Inventory Held for Resale	(6,009)
Decrease in Materials and Supplies Inventory	52
Decrease in Accounts Payable	(1,582)
Decrease in Accrued Wages and Benefits	(291)
Decrease in Compensated Absences Payable	(106)
Increase in Intergovernmental Payable	1,049
Net Cash Used for Operating Activities	<u><u>(26,070)</u></u>

**Non-Cash Capital Transactions:**

During fiscal year 2001, the School District's governmental funds purchased fixed assets, in the amount of \$5,177, and donated them to the Food Service enterprise fund.

*See Accompanying Notes to the General-Purpose Financial Statements*

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**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001**

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

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

The School District was established in 1936 through the consolidation of existing land areas. The School District serves an area of approximately forty-eight square miles. It is located in Hancock County and includes all of the Village of Van Buren and Allen Township and portions of Cass, Marion, and Portage Townships. The School District is the 510th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by forty-three classified employees, fifty-nine certified teaching personnel, and five administrative employees who provide services to nine hundred fifty-five students and other community members. The School District currently operates an elementary school and an elementary/middle/high school.

**Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Van Buren Local 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. There are no component units of the Van Buren Local School District.

The School District is associated with three jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Cooperative Career Center, Northwestern Ohio Educational Research Council, Inc., Hancock County Schools Health Benefit Fund and Trust, and NOACSC Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 19 and 20 to the combined financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Van Buren Local 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 the enterprise funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

**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 of governmental, proprietary, and fiduciary.

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 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 - 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).

Proprietary Fund Type

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 is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for 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.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

Fiduciary Fund Type

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 are agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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, except those accounted for in proprietary funds 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 proprietary funds 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 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.

All enterprise funds are accounted for using 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. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., 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 and agency funds. The full accrual basis of accounting is followed for the enterprise funds.

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

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

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, student fees, and donations.

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period 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.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported 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.

**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 appropriation 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 function level within the General Fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object level in the General Fund, and the function and object level within all other funds are made by the School District Treasurer.

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

The Eisenhower, Title VI-B, Drug Free, and Early Childhood Preschool special revenue funds are flow through grants in which the Hancock County Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted.



**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

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 Hancock County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected 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 fiscal 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 of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources 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 of estimated resources issued during fiscal year 2001.

Appropriations

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

The Board may pass supplemental fund appropriations as 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 appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds and funds held by the Hancock Educational Service Center, consistent with statutory provisions.

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. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for the enterprise funds.

Lapsing of Appropriations

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

**D. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. 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 combined balance sheet.

Cash and cash equivalents held for the School District by the Hancock County Educational Service Center and Sky Bank, who services the School District's bond/coupon account, are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents".

During fiscal year 2001, investments were limited to STAR Ohio. 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, 2001.

The School District allocates interest earnings according to Ohio statutes. Interest revenue credited to the General Fund during fiscal year 2001 was \$282,474, which included \$87,732 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 three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**F. Inventory**

Inventory in the governmental funds is stated at cost while inventory in the enterprise funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials 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. Inventory in the enterprise funds consists of donated food, purchased food, and school supplies held for resale and is expensed when used.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

**G. 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 State statute to be set aside for the purchase of textbooks and other instructional materials and to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

**H. 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 enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of two hundred fifty 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 enterprise 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 fifteen years.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "Interfund Receivables/Payables".

**J. 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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable 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 the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

**K. 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, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments for these liabilities made more than sixty days after fiscal year end are considered not to have required the use of current available expendable resources. Bonds are reported as a liability in the general long-term obligations account group until due.

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

Under Ohio law, a debt service fund may be created and used for the payment of bond anticipation notes. Generally accepted accounting principles require reporting the liability in the fund that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**L. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1994, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings.

**M. Fund Balance Reserves and Designations**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designation for termination benefits represents revenues accumulated in a special revenue fund for future severance payments.

**N. 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

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

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.

**O. Estimates**

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

**P. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis the criteria established for accrual basis revenue recognition must be met and the revenues must be available. The implementation of these statements did not have any effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2001, the Bond Retirement debt service fund had a deficit fund balance of \$5,820. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Food Service enterprise fund had deficit retained earnings of \$38,471 at June 30, 2001, as a result of accumulated operating losses from prior years.

**B. Compliance**

The Bond Retirement debt service fund had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2001, in the amount of \$31,244.

The Building capital projects fund debt service interest and fiscal charges account had expenditures in excess of appropriations, in the amount of \$202,630, for the fiscal year ended June 30, 2001.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

**NOTE 5 - 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 (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise 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 enterprise funds (GAAP basis).
4. The School District repays bond anticipation notes 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.
5. Although not part of the appropriated budget, the Eisenhower, Title VI-B, Drug Free, and Early Childhood Preschool special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$135,617	(\$18,462)	(\$5,820)	\$11,855,355
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 2000, Received in Cash FY 2001	233,172	2,621		6,717
Accrued FY 2001, Not Yet Received in Cash	(177,768)	(1,125)	(32,840)	(10,697)
Expenditure Accruals:				
Accrued FY 2000, Paid in Cash FY 2001	(563,076)	(9,771)		(15,478)
Accrued FY 2001, Not Yet Paid in Cash	583,864	50,813		14,944
Cash Adjustments:				
Unrecorded Activity FY 2000	108			
Unrecorded Activity FY 2001	(200)			
Prepaid Items	(2,294)	110		
Advances In			38,660	
Advances Out	(38,660)			
Excess of Revenues Over				
Expenditures for Nonbudgeted Funds		(1,971)		
Encumbrances Outstanding at Year End (Budget Basis)	(222,484)	(14,811)		(131,420)
Budget Basis	<u>(\$51,721)</u>	<u>\$7,404</u>		<u>\$11,719,421</u>

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

Net Loss/Excess of Revenues Under Expenses  
Enterprise Funds

GAAP Basis	(\$4,267)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2000, Received in Cash FY 2001	2,643
Accrued FY 2001, Not Yet Received in Cash	(2,439)
Expense Accruals:	
Accrued FY 2000, Paid in Cash FY 2001	(27,816)
Accrued FY 2001, Not Yet Paid in Cash	26,886
Prepaid Items	201
Inventory Held for Resale	(6,009)
Materials and Supplies Inventory	52
Depreciation Expense	3,264
Encumbrances Outstanding at Year End (Budget Basis)	(702)
Budget Basis	(\$8,187)

**NOTE 6 - 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 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 (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation,

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Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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 the securities representing the investments to the Treasurer or qualified trustee 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 \$300 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 School District also had \$7,690 held by the Hancock County Educational Service Center, which is included on the balance sheet of the School District as part of "Cash and Cash Equivalents with Fiscal Agents". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$21,398 and the bank balance was \$117,889. Of the bank balance, \$100,000 was covered by federal depository insurance and \$17,889 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2001, the fair value of funds on deposit with STAR Ohio was \$14,121,047.



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The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
Per GASB Statement No. 9	\$14,150,435	
Combined Balance Sheet Reclassifications:		
Cash on Hand	(300)	
Cash and Cash Equivalents with Educational Service Center	(7,690)	
Investments:		
STAR Ohio	(14,121,047)	\$14,121,047
Per GASB Statement No. 3	\$21,398	\$14,121,047

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes for calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date.

Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenue received in calendar year 2001 (other than public utility property) represents the collection of calendar year 2001 taxes. Tangible personal property taxes for calendar year 2001 were levied after April 1, 2000, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Hancock 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, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001 and for which there is an enforceable legal claim. 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 and is recognized as revenue at year end. The receivable is 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, 2001, was \$177,463 in the General Fund, \$32,840 in the Bond Retirement debt service fund, and \$10,697 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2000, was \$225,283 in the General Fund and \$6,717 in the Permanent Improvement capital projects fund.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential	\$72,096,730	40.07%	\$75,853,730	42.03%
Industrial/Commerical	\$38,573,340	21.44%	\$41,062,210	22.75%
Public Utility	9,162,990	5.09%	9,092,390	5.04%
Tangible Personal	60,087,261	33.40%	54,480,944	30.18%
<b>Total</b>	<b>\$179,920,321</b>	<b>100.00%</b>	<b>\$180,489,274</b>	<b>100.00%</b>
 Tax rate per \$1,000 of assessed valuation	<b>\$32.80</b>		<b>\$37.40</b>	

On November 7, 2000, the electors of the School District approved a 4.6 mill levy for the issuance of bonds for the construction of additions, renovations, and improvements to the existing school buildings.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, accounts (student fees and billings for user charged services), intergovernmental, and interfund receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. Accounts receivable at June 30 were \$3,307. Intergovernmental receivables were recorded in the General Fund, in the amount of \$155, and in the E-Rate special revenue fund, in the amount of \$407, for reimbursements.

**NOTE 9 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$81,014
Less: Accumulated Depreciation	58,911
<b>Net Fixed Assets</b>	<b>\$22,103</b>

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A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$155,129			\$155,129
Buildings and Improvements	2,570,051	\$89,313		2,659,364
Furniture, Fixtures and Equipment	1,741,223	222,399	\$80,260	1,883,362
Books	503,300	25,697		528,997
Vehicles	778,698			778,698
<b>Total</b>	<b>\$5,748,401</b>	<b>\$337,409</b>	<b>\$80,260</b>	<b>\$6,005,550</b>

**NOTE 10 - INTERFUND ACTIVITY**

At June 30, 2001, the General Fund had an interfund receivable and the Bond Retirement debt service fund had an interfund payable, in the amount of \$38,660.

**NOTE 11 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted for the following insurance coverages:

Coverages provided by Nationwide Insurance are as follows:

Buildings and Contents - replacement cost (\$500 deductible)	\$14,294,400
Boiler and Machinery (\$1,000 deductible)	14,337,333
Inland Marine Coverage	
Musical Instruments (\$100 deductible)	175,074
Photographic Equipment (no deductible)	150,831
Electronic Equipment - including computers (\$250 deductible)	823,898
Automobile Liability	2,000,000
Uninsured Motorists	2,000,000/2,000,000
Medical Payments - per person	5,000
General School District Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000
Umbrella Liability Insurance	2,000,000

Coverages provided by Stacy Insurance are as follows:

Employee Dishonesty - per loss	\$10,000
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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

**VAN BUREN LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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The School District participates in the Hancock County Schools Health Benefit Fund and Trust (the Trust), a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The School District pays monthly premiums to the Trust for employee medical, dental, vision, and life insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2001, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the 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.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The 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 retirement and disability benefits, annual cost-of-living adjustments, and death benefits 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 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 contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$259,691, \$158,517, and \$151,521, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$43,173, is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$30,952, \$38,618, and \$49,233, respectively; 40 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$18,648, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2001, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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 obligation 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$123,012.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to 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 the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$91,834 for fiscal year 2001.

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The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per 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 a rate of one and one-fourth days per month.

The following table identifies the maximum amount of sick leave days that may be accumulated and the maximum days paid upon retirement.

	Sick Days Accumulated	25% of Sick Days Paid upon Retirement to the Following Maximum
Administrators	240	60
Certified Employees	240	60
Classified Employees	unlimited	51

**B. Health Care Benefits**

The School District provides medical, dental, vision, and life insurance to all employees through the Hancock County Schools Health Benefit Fund and Trust. Depending upon the plan chosen, the employees share the cost of monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

**NOTE 15 - NOTES PAYABLE**

During fiscal year 2001, the School District issued and retired \$9,975,000 in bond anticipation notes.

**NOTE 16 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
School Facilities Construction and Improvement Bonds FY 2001 4.8 - 5.25%		\$11,546,910		\$11,546,910
Compensated Absences Payable	\$433,792		\$20,929	412,863
Intergovernmental Payable	49,128	55,341	49,128	55,341
Total General Long-Term Obligations	\$482,920	\$11,602,251	\$70,057	\$12,015,114

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**Notes to the General-Purpose Financial Statements  
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School Facilities Construction and Improvement Bonds FY 2001 - On March 29, 2001, the School District issued \$11,500,000 in voted general obligation bonds for constructing a building addition. The bond issue includes serial, term, and capital appreciation bonds, in the amount of \$4,920,000, \$6,240,000, and \$340,000, respectively. The bonds were issued for a twenty year period, with final maturity in fiscal year 2021. The bonds are being retired through the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2014, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date. The mandatory redemption is to occur on December 1, 2013, in the principal amount of \$650,000. The remaining principal, in the amount of \$685,000, will mature at stated maturity.

The term bonds maturing on December 1, 2016, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date. The mandatory redemption is to occur on December 1, 2015, in the principal amount of \$720,000. The remaining principal, in the amount of \$755,000, will mature at stated maturity.

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date. The mandatory redemption is to occur on December 1, in each of the years according to the following schedule:

<u>Year</u>	<u>Amount</u>
2017	\$795,000
2018	835,000
2019	880,000

The remaining principal, in the amount of \$920,000, will mature at stated maturity.

The serial bonds maturing after December 11, 2011, are subject to redemption, at the option of the School District, either in whole or in part, on any interest payment date on or after December 1, 2010, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date. The bonds maturing on December 1, 2011, are not subject to redemption prior to maturity.

The capital appreciation bonds are not subject to redemption prior to maturity. The capital appreciation bonds will mature on December 1, 2009, in the amount of \$565,000. For fiscal year 2001, \$4,439 was accreted on the capital appreciation bonds for a total outstanding bond value of the capital appreciation bonds of \$386,910 at fiscal year end.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$4,697,125 with an unvoted debt margin of \$180,489 at June 30, 2001.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, were as follows:

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**Notes to the General-Purpose Financial Statements  
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Fiscal Year Ending June 30	General Obligation Bonds			Interest	Total
	Serial	Term	Capital		
2002	\$175,000			\$355,747	\$530,747
2003	310,000			523,435	833,435
2004	340,000			511,035	851,035
2005	365,000			497,435	862,435
2006	445,000			482,835	927,835
2007-2011	2,075,000		\$565,000	2,549,125	5,189,125
2012-2016	1,210,000	\$2,055,000		1,575,593	4,840,593
2017-2021		4,185,000		650,387	4,835,387
Total	<u>\$4,920,000</u>	<u>\$6,240,000</u>	<u>\$565,000</u>	<u>\$7,145,592</u>	<u>\$18,870,592</u>

**NOTE 17 - SET ASIDE REQUIREMENTS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2000	\$86,442		\$97,773
Current Year Set Aside Requirement	141,402	\$141,402	
Legislative Reduction			(80,391)
Current Year Offset		(141,402)	
Qualifying Expenditures	(108,019)		
Balance June 30, 2001	<u>\$119,825</u>	<u></u>	<u>\$17,382</u>

The total reserve balance at the end of fiscal year 2001 was \$137,207.

**NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and adult education. The table below reflects the more significant financial data relating to the enterprise funds of Van Buren Local School District as of and for the fiscal year ended June 30, 2001.



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	Food Service	Uniform School Supplies	Adult Education	Total Enterprise Funds
Operating Revenues	\$141,723	\$32,699	\$220	\$174,642
Depreciation Expense	3,264			3,264
Operating Income (Loss)	(49,384)	11,220	58	(38,106)
Federal Donated Commodities	15,254			15,254
Operating Grants	18,022			18,022
Net Income (Loss)	(15,545)	11,220	58	(4,267)
Fixed Asset Additions	5,177			5,177
Current Contributed Capital	5,177			5,177
Net Working Capital	(7,415)	34,485	332	27,402
Total Assets	41,865	34,485	332	76,682
Total Equity	8,639	34,485	332	43,456
Encumbrances Outstanding at Year End (Budget Basis)	702			702

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

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

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

**B. Millstream Cooperative Career Center**

The Millstream Cooperative Career Center (the Career Center) is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Career Center provides vocational instruction to students. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Treasurers from the Hancock and Putnam County Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District, Pam Barber, who serves as treasurer, 227 South West Street, Findlay, Ohio 45840-3377.

**C. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers,

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

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

**NOTE 20 - INSURANCE POOLS**

**A. Hancock County Schools Health Benefit Fund and Trust**

The Hancock County Schools Health Benefit Fund and Trust (the Trust) is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The Trust is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, vision, and life insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Tim Smith, Ohio Benefits Group, 545 Pearl Street, Bowling Green, Ohio 43402.

**B. NOACSC Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool.

The Safety Coordinator, Robert Lotz of NOACSC, or his designee serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

**NOTE 21 - CONTINGENT LIABILITIES**

**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, 2001.

**B. Litigation**

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

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

**NOTE 22 - 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.

**NOTE 23 – SUBSEQUENT EVENTS**

During fiscal year 2002, the District issued \$10,661,016 in contracts for additions and renovations of the elementary and high school buildings.

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**Auditor of State  
Betty Montgomery**

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

Van Buren Local School District  
Hancock County  
217 South Main Street  
Van Buren, Ohio 45889-9720

To the Board of Education:

We have audited the financial statements of Van Buren Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 17, 2003. 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 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 a certain immaterial instance of noncompliance, which we have reported to management of the District in a separate letter dated January 17, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 17, 2003.

Van Buren Local School District  
Hancock 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 finance committee, management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

January 17, 2003

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Schedule of Prior Audit Findings  
June 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-10232-001	<b>ORC § 5705.41(D)</b> expenditures not certified.	Yes	







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**VAN BUREN LOCAL SCHOOL DISTRICT**

**HANCOCK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 4, 2003**