



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2019-2018  
Fiscal Year Audited Under GAGAS: 2019-2018

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OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Education  
Vanlue Local School District  
301 South East Street  
P.O. Box 250  
Vanlue, Ohio 45890

We have reviewed the *Independent Auditor's Report* of the Vanlue Local School District, Hancock County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2017 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Vanlue Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

February 20, 2020

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***VANLUE LOCAL SCHOOL DISTRICT***  
*Hancock County*  
*For the Fiscal Year Ended June 30, 2019 and 2018*  
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***VANLUE LOCAL SCHOOL DISTRICT***  
*Hancock County*  
*For the Fiscal Year Ended June 30, 2019 and 2018*  
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**Independent Auditor's Report**

Vanlue Local School District  
Hancock County  
301 South East Street, P.O. Box 250  
Vanlue, Ohio 45890-0250

Members of the Board of Education:

***Report on the Financial Statements***

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vanlue Local School District, Hancock County, Ohio (the School District), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Vanlue Local School District, Hancock County, Ohio, as of June 30, 2019 and 2018, and the respective changes in cash financial position and the budgetary comparisons for the General fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Other Information*

We applied no procedures to management's discussion & analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



BHM CPA Group Inc.  
Piketon, Ohio  
October 24, 2019



**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)**

The management's discussion and analysis of the Vanlue Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2019, within the limitations of the School District's cash basis of accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2019 are as follows:

- The net position of the School District increased \$155,557 or 2.56% from fiscal year 2018.
- General cash receipts accounted for \$3,721,840 or 85.46% of total governmental activities cash receipts. Program specific cash receipts accounted for \$633,460 or 14.54% of total governmental activities cash receipts.
- The School District had \$4,199,743 in cash disbursements related to governmental activities; \$633,640. of these cash disbursements were offset by program specific charges for services, grants or contributions.
- The School District's major fund is the general fund. The general fund had cash receipts of \$4,019,956 in 2019. The cash disbursements of the general fund totaled \$3,724,466 in 2019. The general fund's cash balance increased \$295,490 or 5.15% from 2018 to 2019.

**Using the Basic Financial Statements (BFS)**

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

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole School District, presenting an aggregate view of the School District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund is the only major governmental fund.

**Reporting the School District as a Whole**

***Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis***

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2019?" These statements are prepared using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)**

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

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

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund. The analysis of the School District's major governmental funds begins on page 8.

***Governmental Funds***

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the School District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various School District programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

The School District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the School District's compliance with annually adopted budgets.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

The School District's only fiduciary fund is an agency fund. All of the School District's fiduciary activities are reported in separate statements of cash basis fiduciary assets and liabilities. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

***Notes to the Financial Statements***

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

**Government-Wide Financial Analysis**

Recall that the statement of net position - cash basis provides the perspective of the School District as a whole.

The table below provides a summary of the School District's net position at June 30, 2019 and June 30, 2018.

|                     | <b>Net Position</b>                       |   |
|---------------------|---|---|
|                     | Governmental<br>Activities<br><u>2019</u> | Governmental<br>Activities<br><u>2018</u> |
| <u>Assets</u>       |   |   |
| Current Assets      | \$ 6,220,406                              | \$ 6,064,849                              |
| Total assets        | <u>6,220,406</u>                          | <u>6,064,849</u>                          |
| <u>Net Position</u> |   |   |
| Restricted          | 192,934                                   | 335,571                                   |
| Unrestricted        | <u>6,027,472</u>                          | <u>5,729,278</u>                          |
| Total net position  | <u>\$ 6,220,406</u>                       | <u>\$ 6,064,849</u>                       |

The total net position of the School District increased \$155,557 which represents a 2.56% increase from fiscal year 2018. The balance of government-wide unrestricted net position of \$6,027,472 may be used to meet the government's ongoing obligations to citizens and creditors.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)**

The table below shows the changes in net position for fiscal year 2019 and 2018.

|                                    | <b>Change in Net Position</b>             |   |
|------------------------------------|---|---|
|                                    | Governmental<br>Activities<br><u>2019</u> | Governmental<br>Activities<br><u>2018</u> |
| <b>Cash Receipts:</b>              |   |   |
| Program cash receipts:             |   |   |
| Charges for services and sales     | \$ 394,367                                | \$ 477,014                                |
| Operating grants and contributions | <u>239,093</u>                            | <u>224,710</u>                            |
| Total program cash receipts        | <u>633,460</u>                            | <u>701,724</u>                            |
| General cash receipts:             |   |   |
| Property and other taxes           | 1,367,392                                 | 1,349,297                                 |
| Income taxes                       | 443,178                                   | 428,860                                   |
| Grants and entitlements            | 1,807,291                                 | 1,816,453                                 |
| Investment earnings                | 82,020                                    | 42,442                                    |
| Other                              | <u>21,959</u>                             | <u>7,816</u>                              |
| Total general cash receipts        | <u>3,721,840</u>                          | <u>3,644,868</u>                          |
| Total cash receipts                | <u>4,355,300</u>                          | <u>4,346,592</u>                          |
| <b>Cash Disbursements:</b>         |   |   |
| Instruction:                       |   |   |
| Regular                            | 1,731,094                                 | 1,664,498                                 |
| Special                            | 385,586                                   | 368,423                                   |
| Vocational                         | 24,480                                    | 20,939                                    |
| Other                              | 49,048                                    | 43,899                                    |
| Support services:                  |   |   |
| Pupil                              | 144,955                                   | 133,688                                   |
| Instructional staff                | 159,449                                   | 144,053                                   |
| Board of education                 | 35,731                                    | 43,382                                    |
| Administration                     | 303,229                                   | 295,783                                   |
| Fiscal                             | 76,829                                    | 91,038                                    |
| Operations and maintenance         | 762,244                                   | 370,911                                   |
| Pupil transportation               | 278,582                                   | 237,432                                   |
| Central                            | -   | 60  |
| Food service operations            | 95,429                                    | 80,818                                    |
| Extracurricular                    | <u>153,087</u>                            | <u>160,653</u>                            |
| Total cash disbursements           | <u>4,199,743</u>                          | <u>3,655,577</u>                          |
| Change in net position             | 155,557                                   | 691,015                                   |
| Net position at beginning of year  | <u>6,064,849</u>                          | <u>5,373,834</u>                          |
| Net position at end of year        | <u>\$ 6,220,406</u>                       | <u>\$ 6,064,849</u>                       |

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)

**Governmental Activities**

Governmental net position increased by \$155,557 in 2019 from 2018. Total governmental disbursements of \$4,199,743 were offset by program receipts of \$633,460 and general receipts of \$3,721,840. Program receipts supported 15.08% of the total governmental disbursements. The largest governmental disbursement was instructional expenditures which totaled \$2,190,208.

The primary sources of receipts for governmental activities are derived from taxes, and unrestricted grants and entitlements. These receipt sources represent 83.07% of total governmental receipts. Real estate property is reappraised every six years.

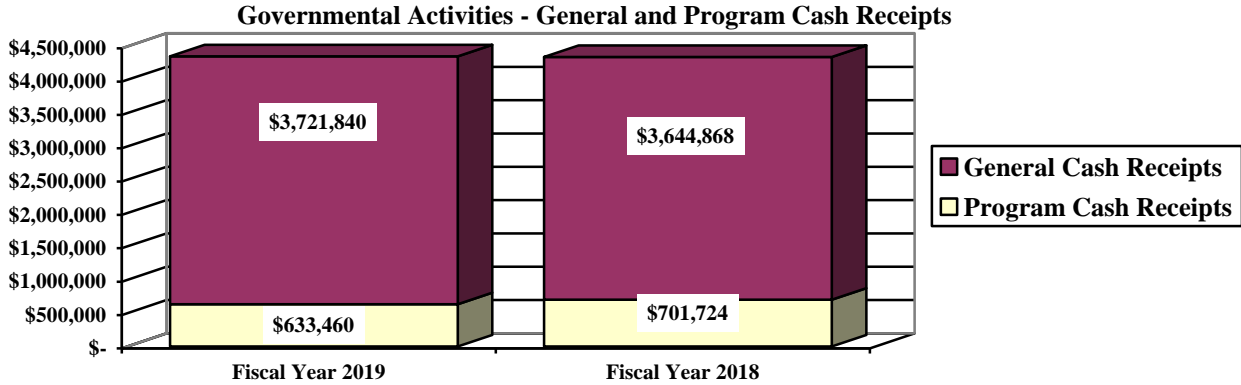
**Governmental Activities**

|                            | Total Cost of<br>Services<br><u>2019</u> | Net Cost of<br>Services<br><u>2019</u> | Total Cost of<br>Services<br><u>2018</u> | Net Cost of<br>Services<br><u>2018</u> |
|----------------------------|--|--|--|--|
| <b>Cash disbursements:</b> |  |  |  |  |
| Instruction:               |  |  |  |  |
| Regular                    | \$ 1,731,094                             | \$ 1,516,113                           | \$ 1,664,498                             | \$ 1,401,077                           |
| Special                    | 385,586                                  | 250,111                                | 368,423                                  | 215,229                                |
| Vocational                 | 24,480                                   | 12,421                                 | 20,939                                   | 8,880                                  |
| Other                      | 49,048                                   | 49,048                                 | 43,899                                   | 43,899                                 |
| Support services:          |  |  |  |  |
| Pupil                      | 144,955                                  | 111,128                                | 133,688                                  | 112,536                                |
| Instructional staff        | 159,449                                  | 139,443                                | 144,053                                  | 113,350                                |
| Board of education         | 35,731                                   | 35,731                                 | 43,382                                   | 43,382                                 |
| Administration             | 303,229                                  | 303,229                                | 295,783                                  | 295,783                                |
| Fiscal                     | 76,829                                   | 76,829                                 | 91,038                                   | 91,038                                 |
| Operations and maintenance | 762,244                                  | 753,068                                | 370,911                                  | 370,911                                |
| Pupil transportation       | 278,582                                  | 186,832                                | 237,432                                  | 146,383                                |
| Central                    | -  | -                                      | 60                                       | 60                                     |
| Food service operations    | 95,429                                   | 21,673                                 | 80,818                                   | (2,140)                                |
| Extracurricular            | <u>153,087</u>                           | <u>110,657</u>                         | <u>160,653</u>                           | <u>113,465</u>                         |
| Total                      | <u>\$ 4,199,743</u>                      | <u>\$ 3,566,283</u>                    | <u>\$ 3,655,577</u>                      | <u>\$ 2,953,853</u>                    |

The dependence upon general cash receipts for governmental activities is apparent, with only 15.08% of cash disbursements supported through program cash receipts during 2019.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)



**Financial Analysis of the Government's Funds**

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

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

The School District's governmental funds reported a combined fund balance of \$6,220,406, which is \$155,557 greater than last year's total of \$6,064,849. The schedule below indicates the fund balance and the total change in fund cash balance as of June 30, 2019 and June 30, 2018, for all major and nonmajor governmental funds.

|                                   | Fund Balance<br><u>June 30, 2019</u> | Fund Balance<br><u>June 30, 2018</u> | <u>Change</u>     |
|-----------------------------------|--------------------------------------|--------------------------------------|-------------------|
| General                           | \$ 6,035,367                         | \$ 5,739,877                         | \$ 295,490        |
| Other nonmajor governmental funds | <u>185,039</u>                       | <u>324,972</u>                       | <u>(139,933)</u>  |
| Total                             | <u>\$ 6,220,406</u>                  | <u>\$ 6,064,849</u>                  | <u>\$ 155,557</u> |

**General Fund**

The School District's major fund is the general fund. The general fund had cash receipts of \$4,019,956 in 2019. The cash disbursements of the general fund totaled \$3,724,466 in 2019. The general fund's cash balance increased \$295,490 or 5.15% from 2018 to 2019.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)

The table that follows assists in illustrating the cash receipts of the general fund.

|                              | 2019<br><u>Amount</u> | 2018<br><u>Amount</u> | Percentage<br><u>Change</u> |
|------------------------------|-----------------------|-----------------------|-----------------------------|
| <b><u>Cash Receipts:</u></b> |                       |                       |                             |
| Property Taxes               | \$ 1,285,218          | \$ 1,268,718          | 1.30 %                      |
| Income Taxes                 | 443,178               | 428,860               | 3.34 %                      |
| Tuition                      | 227,839               | 312,153               | (27.01) %                   |
| Transportation fees          | 88,157                | 81,123                | 8.67 %                      |
| Earnings on investments      | 82,020                | 42,442                | 93.25 %                     |
| Other revenues               | 27,288                | 14,287                | 91.00 %                     |
| Intergovernmental            | <u>1,866,256</u>      | <u>1,876,139</u>      | (0.53) %                    |
| <b>Total</b>                 | <u>\$ 4,019,956</u>   | <u>\$ 4,023,722</u>   | (0.09) %                    |

Overall, general fund cash receipts decreased \$3,766 or 0.09%. Tuition fees decreased \$84,314 or 27.01% due to the District receiving bus reimbursements in fiscal year 2018 that were not received in fiscal year 2019. Other receipts increased \$13,001 or 91.00%, primarily due to an increase in local revenues. Earnings on investment increased by \$39,578 or 91.00% due to an increase in interest income. All other cash receipts for the general fund remained consistent with prior year.

The table that follows assists in illustrating the expenditures of the general fund.

|                                  | 2019<br><u>Amount</u> | 2018<br><u>Amount</u> | Percentage<br><u>Change</u> |
|----------------------------------|-----------------------|-----------------------|-----------------------------|
| <b><u>Cash Disbursements</u></b> |                       |                       |                             |
| Instruction                      | \$ 2,130,650          | \$ 2,044,634          | 4.21 %                      |
| Support services                 | 1,480,601             | 1,148,656             | 28.90 %                     |
| Extracurricular                  | <u>113,215</u>        | <u>112,107</u>        | 0.99 %                      |
| <b>Total</b>                     | <u>\$ 3,724,466</u>   | <u>\$ 3,305,397</u>   | 12.68 %                     |

Overall, general fund cash disbursements increased \$419,069 or 12.68%. Support services increased \$331,945 or 28.90% primarily due to an increase in maintenance and administration disbursements. All other disbursements for the general fund remained consistent with prior year.

***Budgeting Highlights - General Fund***

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

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)**

For the general fund, final budgetary basis receipts and other financing sources of \$4,100,440 were more than the original budget estimate of \$4,036,310. The actual budgetary basis receipts and other financing sources of \$4,069,552 were less than the final budget estimates by \$30,888. The final budgetary basis disbursements and other financing uses of \$4,985,880 were \$169,006 less than original budget estimates of \$4,816,874. The actual budgetary basis disbursements of \$3,977,044 were \$1,008,836 more than the final budget estimates.

**Capital Assets and Debt Administration**

*Capital Assets*

The School District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District did not make any facilities acquisition and construction cash disbursements during fiscal year 2019.

*Debt Administration*

The School District did not have any long-term debt outstanding at June 30, 2019.

**Current Financial Related Activities**

Vanlue is a small rural community of 1,500 people in Northwest Ohio. Agriculture is the primary contributing influence on the economy.

Over the past several years, Vanlue District voters have supported the School District with the passage of a number of levies. In November 2005, the 4 mill permanent improvement levy was renewed for a continuing period. In May of 2009, the two emergency levies were combined and renewed for a period of ten years at 10.6 mills. In May of 2010, the voters renewed the 1 percent income tax levy for a continuing period of time.

The Board of Education looked at new ways of providing an outstanding education while keeping costs in check. In 2013, a "Bring your Own Device" program was launched along with a 1:1 Initiative for students in grades 7<sup>th</sup> and 8<sup>th</sup>. By 2014, the 1:1 Initiative was in expanded to all students in grades 6<sup>th</sup>-12<sup>th</sup>.

In 2015, a continuing initiative for advanced technology along with the development of challenging courses and opportunities beyond the classroom through college credit plus, Millstream, a dedicated staff and a partnership with the community was launched. In 2019, online electives as well as STEM-exploration curriculum is being offered.

The Board is also continuing to share our School District Treasurer with Kenton City School District. In addition, the School District is providing the busing for the Hancock County Board of Developmental Disabilities, Blanchard Valley Center in Findlay.

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

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Tracy Hiller, Treasurer, Vanlue Local School District, 301 South East Street, P.O. Box 250, Vanlue, Ohio 45890-0250.



**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2019

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets:</b>                                   |                                    |
| Equity in pooled cash and cash equivalents . . . | \$ 6,220,406                       |
| <br><b>Net position:</b>                         |                                    |
| Restricted for:                                  |                                    |
| Capital projects . . . . .                       | \$ 95,327                          |
| Locally funded programs . . . . .                | 225                                |
| State funded programs . . . . .                  | 11,133                             |
| Federally funded programs . . . . .              | 2                                  |
| Student activities . . . . .                     | 36,217                             |
| Other purposes . . . . .                         | 50,030                             |
| Unrestricted. . . . .                            | 6,027,472                          |
| Total net position. . . . .                      | \$ 6,220,406                       |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

|  | <u>Cash</u><br><u>Disbursements</u> | <u>Program Cash Receipts</u>                    |   | <u>Net (Disbursement)</u><br><u>Receipt and Changes</u><br><u>in Net Position</u><br><u>Governmental</u><br><u>Activities</u> |
|--|-------------------------------------|---|---|---|
|  |                                     | <u>Charges for</u><br><u>Services and Sales</u> | <u>Operating Grants</u><br><u>and Contributions</u> |   |
| <b>Governmental activities:</b>                |                                     |   |   |   |
| Instruction:                                   |                                     |   |   |   |
| Regular . . . . .                              | \$ 1,731,094                        | \$ 202,186                                      | \$ 12,795   | \$ (1,516,113)  |
| Special . . . . .                              | 385,586                             | 30,724  | 104,751   | (250,111)   |
| Vocational . . . . .                           | 24,480                              | -   | 12,059  | (12,421)  |
| Other . . . . .                                | 49,048                              | -   | -   | (49,048)  |
| Support services:                              |                                     |   |   |   |
| Pupil . . . . .                                | 144,955                             | -   | 33,827  | (111,128)   |
| Instructional staff . . . . .                  | 159,449                             | -   | 20,006  | (139,443)   |
| Board of education . . . . .                   | 35,731                              | -   | -   | (35,731)  |
| Administration . . . . .                       | 303,229                             | -   | -   | (303,229)   |
| Fiscal . . . . .                               | 76,829                              | -   | -   | (76,829)  |
| Operations and maintenance . . . . .           | 762,244                             | -   | 9,176   | (753,068)   |
| Pupil transportation . . . . .                 | 278,582                             | 88,157  | 3,593   | (186,832)   |
| Operation of non-instructional services:       |                                     |   |   |   |
| Food service operations . . . . .              | 95,429                              | 43,120  | 30,636  | (21,673)  |
| Extracurricular activities . . . . .           | 153,087                             | 30,180  | 12,250  | (110,657)   |
| <b>Total governmental activities . . . . .</b> | <b>\$ 4,199,743</b>                 | <b>\$ 394,367</b>                               | <b>\$ 239,093</b>                                   | <b>(3,566,283)</b>  |

|  |                     |
|--|---------------------|
| <b>General receipts:</b>                           |                     |
| Property taxes levied for:                         |                     |
| General purposes . . . . .                         | 1,285,218           |
| Permanent improvements . . . . .                   | 82,174              |
| Income taxes levied for General Purposes . . . . . | 443,178             |
| Grants and entitlements not restricted             |                     |
| to specific programs . . . . .                     | 1,807,291           |
| Investment earnings . . . . .                      | 82,020              |
| Miscellaneous . . . . .                            | 21,959              |
| <b>Total general receipts . . . . .</b>            | <b>3,721,840</b>    |
| Change in net position . . . . .                   | 155,557             |
| <b>Net position at beginning of year . . . . .</b> | <b>6,064,849</b>    |
| <b>Net position at end of year . . . . .</b>       | <b>\$ 6,220,406</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENTS OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

|  | <b>General</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|----------------|--|---|
| <b>Assets:</b>   |                |  |   |
| Equity in pooled cash<br>and cash equivalents. . . . . | \$ 6,035,367   | \$ 185,039                                 | \$ 6,220,406                            |
| <b>Fund balances:</b>                                  |                |  |   |
| Restricted:  |                |  |   |
| Capital improvements . . . . .                         | \$ -           | \$ 95,327                                  | \$ 95,327                               |
| Food service operations . . . . .                      | -              | 50,030                                     | 50,030                                  |
| Special education . . . . .                            | -              | 1  | 1                                       |
| Targeted academic assistance . . . . .                 | -              | 1  | 1                                       |
| Extracurricular . . . . .                              | -              | 36,217                                     | 36,217                                  |
| Other purposes . . . . .                               | -              | 11,358                                     | 11,358                                  |
| Committed:   |                |  |   |
| Termination benefits . . . . .                         | 17,735         | -  | 17,735                                  |
| Assigned:  |                |  |   |
| Student instruction . . . . .                          | 18,667         | -  | 18,667                                  |
| Student and staff support. . . . .                     | 182,481        | -  | 182,481                                 |
| Extracurricular activities. . . . .                    | 867            | -  | 867                                     |
| Subsequent year's appropriations . . . . .             | 885,447        | -  | 885,447                                 |
| Unassigned (deficit) . . . . .                         | 4,930,170      | (7,895)                                    | 4,922,275                               |
| Total fund balances . . . . .                          | \$ 6,035,367   | \$ 185,039                                 | \$ 6,220,406                            |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

|   | <u>General</u>      | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|--|---|
| <b>Receipts:</b>                                    |                     |  |   |
| From local sources:                                 |                     |  |   |
| Property taxes . . . . .                            | \$ 1,285,218        | \$ 82,174                                  | \$ 1,367,392                            |
| Income taxes . . . . .                              | 443,178             | -  | 443,178                                 |
| Tuition . . . . .                                   | 227,839             | -  | 227,839                                 |
| Transportation fees. . . . .                        | 88,157              | -  | 88,157                                  |
| Earnings on investments . . . . .                   | 82,020              | 1,155                                      | 83,175                                  |
| Charges for services . . . . .                      | -                   | 43,120                                     | 43,120                                  |
| Extracurricular . . . . .                           | 258                 | 29,922                                     | 30,180                                  |
| Classroom materials and fees . . . . .              | 5,071               | -  | 5,071                                   |
| Contributions and donations. . . . .                | 15,571              | 12,250                                     | 27,821                                  |
| Other local revenues . . . . .                      | 6,388               | -  | 6,388                                   |
| Intergovernmental - state . . . . .                 | 1,866,256           | 17,014                                     | 1,883,270                               |
| Intergovernmental - federal . . . . .               | -                   | 149,709                                    | 149,709                                 |
| Total receipts. . . . .                             | <u>4,019,956</u>    | <u>335,344</u>                             | <u>4,355,300</u>                        |
| <b>Disbursements:</b>                               |                     |  |   |
| Current:  |                     |  |   |
| Instruction:  |                     |  |   |
| Regular . . . . .                                   | 1,718,385           | 12,709                                     | 1,731,094                               |
| Special . . . . .                                   | 338,737             | 46,849                                     | 385,586                                 |
| Vocational. . . . .                                 | 24,480              | -  | 24,480                                  |
| Other . . . . .                                     | 49,048              | -  | 49,048                                  |
| Support services:                                   |                     |  |   |
| Pupil . . . . .                                     | 122,650             | 22,305                                     | 144,955                                 |
| Instructional staff . . . . .                       | 134,472             | 24,977                                     | 159,449                                 |
| Board of education. . . . .                         | 35,731              | -  | 35,731                                  |
| Administration. . . . .                             | 303,229             | -  | 303,229                                 |
| Fiscal . . . . .                                    | 75,148              | 1,681                                      | 76,829                                  |
| Operations and maintenance. . . . .                 | 530,789             | 231,455                                    | 762,244                                 |
| Pupil transportation . . . . .                      | 278,582             | -  | 278,582                                 |
| Food service operations . . . . .                   | -                   | 95,429                                     | 95,429                                  |
| Extracurricular activities . . . . .                | 113,215             | 39,872                                     | 153,087                                 |
| Total disbursements . . . . .                       | <u>3,724,466</u>    | <u>475,277</u>                             | <u>4,199,743</u>                        |
| Net change in fund balances . . . . .               | 295,490             | (139,933)                                  | 155,557                                 |
| <b>Fund balances at beginning of year . . . . .</b> | <u>5,739,877</u>    | <u>324,972</u>                             | <u>6,064,849</u>                        |
| <b>Fund balances at end of year . . . . .</b>       | <u>\$ 6,035,367</u> | <u>\$ 185,039</u>                          | <u>\$ 6,220,406</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

|  | <u>Budgeted Amounts</u>    |                            |                            | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|----------------------------|----------------------------|----------------------------|---|
|  | <u>Original</u>            | <u>Final</u>               | <u>Actual</u>              |   |
| <b>Receipts:</b>   |                            |                            |                            |   |
| From local sources:  |                            |                            |                            |   |
| Property taxes . . . . .   | \$ 1,265,903               | \$ 1,285,903               | \$ 1,285,219               | \$ (684)  |
| Income taxes. . . . .  | 429,500                    | 442,500                    | 443,178                    | 678   |
| Tuition. . . . .   | 315,826                    | 247,826                    | 227,839                    | (19,987)  |
| Transportation fees. . . . .   | 47,999                     | 87,999                     | 88,157                     | 158   |
| Earnings on investments . . . . .                                      | 32,836                     | 77,836                     | 82,021                     | 4,185   |
| Classroom materials and fees . . . . .                                 | 7,169                      | 7,169                      | 5,071                      | (2,098)   |
| Contributions and donations . . . . .                                  | 70                         | 10,200                     | 14,322                     | 4,122   |
| Other local revenues . . . . .   | 6,471                      | 6,471                      | 6,388                      | (83)  |
| Intergovernmental - state . . . . .                                    | 1,879,292                  | 1,881,292                  | 1,866,257                  | (15,035)  |
| Total receipts . . . . .   | <u>3,985,066</u>           | <u>4,047,196</u>           | <u>4,018,452</u>           | <u>(28,744)</u>   |
| <b>Disbursements:</b>  |                            |                            |                            |   |
| Current:   |                            |                            |                            |   |
| Instruction:   |                            |                            |                            |   |
| Regular . . . . .  | 1,953,296                  | 2,076,270                  | 1,787,753                  | 288,517   |
| Special. . . . .   | 411,899                    | 413,774                    | 339,137                    | 74,637  |
| Vocational . . . . .   | 32,425                     | 32,256                     | 24,480                     | 7,776   |
| Other. . . . .   | 44,832                     | 55,600                     | 49,048                     | 6,552   |
| Support services:  |                            |                            |                            |   |
| Pupil. . . . .   | 132,837                    | 136,097                    | 122,760                    | 13,337  |
| Instructional staff. . . . .   | 138,697                    | 169,767                    | 135,140                    | 34,627  |
| Board of education . . . . .   | 61,994                     | 63,259                     | 37,731                     | 25,528  |
| Administration. . . . .  | 353,284                    | 348,176                    | 308,308                    | 39,868  |
| Fiscal . . . . .   | 131,947                    | 131,375                    | 83,135                     | 48,240  |
| Operations and maintenance. . . . .                                    | 1,021,066                  | 902,753                    | 597,382                    | 305,371   |
| Pupil transportation . . . . .   | 365,414                    | 485,056                    | 368,642                    | 116,414   |
| Central . . . . .  | 3,666                      | 3,666                      | -                          | 3,666   |
| Extracurricular activities . . . . .                                   | 151,895                    | 154,209                    | 114,082                    | 40,127  |
| Total disbursements . . . . .  | <u>4,803,252</u>           | <u>4,972,258</u>           | <u>3,967,598</u>           | <u>1,004,660</u>  |
| Excess (deficiency) of receipts over (under)<br>disbursements. . . . . | <u>(818,186)</u>           | <u>(925,062)</u>           | <u>50,854</u>              | <u>975,916</u>  |
| <b>Other financing sources (uses):</b>                                 |                            |                            |                            |   |
| Refund of prior year's expenditures. . . . .                           | 51,244                     | 51,244                     | 48,933                     | (2,311)   |
| Refund of prior year's receipts . . . . .                              | (159)                      | (159)                      | -                          | 159   |
| Transfers (out). . . . .   | (13,463)                   | (13,463)                   | (9,446)                    | 4,017   |
| Sale of capital assets. . . . .  | -                          | 2,000                      | 2,167                      | 167   |
| Total other financing sources (uses) . . . . .                         | <u>37,622</u>              | <u>39,622</u>              | <u>41,654</u>              | <u>2,032</u>  |
| Net change in fund balance . . . . .                                   | (780,564)                  | (885,440)                  | 92,508                     | 977,948   |
| <b>Fund balance at beginning of year . . . . .</b>                     | <b>5,277,760</b>           | <b>5,277,760</b>           | <b>5,277,760</b>           | <b>-</b>  |
| <b>Prior year encumbrances appropriated . . . . .</b>                  | <b>445,349</b>             | <b>445,349</b>             | <b>445,349</b>             | <b>-</b>  |
| <b>Fund balance at end of year . . . . .</b>                           | <b><u>\$ 4,942,545</u></b> | <b><u>\$ 4,837,669</u></b> | <b><u>\$ 5,815,617</u></b> | <b><u>\$ 977,948</u></b>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENT OF CASH BASIS FIDUCIARY NET CASH POSITION  
FIDUCIARY FUND  
JUNE 30, 2019

|   | <u>Agency</u> |
|---|---------------|
| <b>Assets:</b>  |               |
| Equity in pooled cash<br>and cash equivalents . . . . . | \$ 35,166     |
|   | <u>35,166</u> |
| <b>Net Cash Position:</b>                               |               |
| Held for student activities . . . . .                   | \$ 35,166     |
|   | <u>35,166</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

Vanlue 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 federal guidelines.

The School District was established in 1922. The School District serves an area of approximately forty-nine square miles and is located in Hancock, Seneca, and Wyandot Counties and includes all of the Village of Vanlue and portions of Amanda, Biglick, Big Spring, and Ridge Townships. The School District is staffed by 15 classified employees, 22 certified teaching personnel, and 5 administrative employees who provide services to 183 students and other community members. In addition, 6 employees are assigned to Vanlue Transportation, which serves Hancock County for MRDD pickup and is funded (reimbursed) by the County. The School District currently operates an instructional building and a bus garage.

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 Vanlue 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 organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Vanlue Local School District.

The School District participates in four jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Career and Technology Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., Schools of Ohio Risk Sharing Authority, Ohio School Boards Association Workers’ Compensation Group Rating Plan, and Hancock County Schools Health Benefit Fund.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood 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. During fiscal year 2019, the School District paid \$16,896 to NOACSC for various services. Financial information can be obtained from NOACSC, 4277 East Road, Lima, Ohio 45807.

Millstream Career and Technology Center

The Millstream Career and Technology 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 Superintendents 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, 2019 Broad Avenue, Findlay, Ohio 45840.

Hancock County Local Professional Development Committee

The Hancock County Local Professional Development Committee (HCLPDC) was established in 1999 to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The HCLPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The HCLPDC is governed by a fourteen member Executive Board. Financial information can be obtained from the Hancock County Educational Service Center, who serves as fiscal agent, 7746 County Road 140, Findlay, Ohio 45840.

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, 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., 441 East Market Street, Celina, Ohio, 45822.



**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

INSURANCE POOLS

Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The SORSA's business and affairs are conducted by a nine member board consisting of Superintendents, Treasurers and Business Managers. Willis Pooling is contracted to provide reinsurance brokerage, underwriting, rating, billing, consulting services, and establishing agreements between SORSA and its members. Financial information can be obtained from SORSA, 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in Ohio SchoolComp, a Worker's Compensation Group Rating Program (GRP), an insurance premium rating pool sponsored by the Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials' (OASBO). The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or their designee, serves as coordinator of the Program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP.

The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

Hancock County Schools Health Benefit Fund

The Hancock County Schools Health Benefit Fund (Fund) 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 Developmental Disabilities. The Fund is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. Each participants' superintendent is appointed to an Administrative Committee which advises the Consultant, Neace Lukens, concerning aspects of the administration of the Fund.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Fund is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Neace Lukens, 285 Cozzins Street, Columbus, Ohio, 43215.

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*GOVERNMENTAL FUNDS*

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's only major fund is the General Fund.

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

The other governmental funds of the School District account for (a) grants and other resources whose use is restricted, committed, or assigned to a particular purpose; and (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2019. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**VANLUE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**E. 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. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2019, the School District invested in nonnegotiable certificates of deposit, negotiable certificates of deposit, federal agency securities and a U.S. Government money market. Nonnegotiable certificates of deposit are reported at cost.

The School District has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2019 was \$82,020, which includes \$3,029 assigned from other School District funds.

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

**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**F. Capital Assets**

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

**G. Compensated Absences**

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

**H. Long-Term Obligations**

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

**I. Net Position**

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net cash position restricted for other purposes includes amounts restricted for food service operations.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**J. Fund Balance**

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

*Nonspendable* - The nonspendable fund cash balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

*Restricted* - Fund cash balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**VANLUE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Committed* - The committed fund cash balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund cash balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund cash balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund cash balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

**K. Interfund Transactions**

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability and net OPEB asset, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2019, the School District has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statement of the School District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2019 included the following individual fund deficits:

| <u>Nonmajor funds</u>        | <u>Deficit</u> |
|------------------------------|----------------|
| Miscellaneous Federal Grants | \$ 7,895       |

These cash deficits are the result of monies being expended with the expectation that the School District will be reimbursed during fiscal year 2020.

**VANLUE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Compliance**

Ohio Administrative Code, §117-2-03(B), requires that the School District prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis) and some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budgetary basis). The general fund encumbrances outstanding at year end (budgetary basis) were \$192,588. Funds budgeted elsewhere were \$12,026.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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



**VANLUE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At fiscal year end, the School District had \$3,000 in undeposited cash on hand which is included as part of "equity in pooled cash and investments."

**B. Deposits with Financial Institutions**

At June 30, 2019, the carrying amount of all School District deposits was \$4,718,492. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2019, \$2,949,085 of the School District's bank balance of \$4,744,580 was exposed to custodial risk as discussed below, while \$1,795,495 was covered by the Federal Deposit Insurance Corporation and \$499,651 was covered by pledged collateral.

Custodial credit risk is the risk that, in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the School District's financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2019, the School District had the following investments and maturities:

| <u>Measurement/Investment type</u> | <u>Carrying Value</u> | <u>Investment maturities</u> |                        |                               |
|------------------------------------|-----------------------|------------------------------|------------------------|-------------------------------|
|                                    |                       | <u>6 months or less</u>      | <u>19 to 24 months</u> | <u>Greater than 24 months</u> |
| Fair Value:                        |                       |                              |                        |                               |
| U.S Government Money Market        | \$ 25,080             | \$ 25,080                    | \$ -                   | \$ -                          |
| Negotiable CDs                     | 409,000               | 160,000                      | -                      | 249,000                       |
| FHLB                               | 500,000               | -                            | 250,000                | 250,000                       |
| FHLMC                              | 600,000               | -                            | -                      | 600,000                       |
| Total                              | <u>\$ 1,534,080</u>   | <u>\$ 185,080</u>            | <u>\$ 250,000</u>      | <u>\$ 1,099,000</u>           |

The weighted average maturity of investments is 2.46 years.

**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The U.S. Government money market mutual fund carries a rating of AAAm by Standard & Poor's. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The School District has no policy that would further limit its investment choices.

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2019:

| <u>Investment type</u>           | <u>Carrying value</u> | <u>% of total</u> |
|----------------------------------|-----------------------|-------------------|
| Carrying Value:                  |                       |                   |
| U.S. Government mmkt mutual fund | \$ 25,080             | 1.64              |
| Negotiable CDs                   | 409,000               | 26.66             |
| FHLB                             | 500,000               | 32.59             |
| FHLMC                            | <u>600,000</u>        | <u>39.11</u>      |
| Total investments                | <u>\$ 1,534,080</u>   | <u>100.00</u>     |

**D. Reconciliation of Cash to the Statement of Net Cash Position**

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of June 30, 2019:

|                             |                     |
|-----------------------------|---------------------|
| <u>Cash per note</u>        |                     |
| Carrying amount of deposits | \$ 4,718,492        |
| Investments                 | 1,534,080           |
| Cash on hand                | <u>3,000</u>        |
| Total                       | <u>\$ 6,255,572</u> |

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

|  |                     |
|--|---------------------|
| <u>Cash per statement of net cash position</u> |                     |
| Governmental activities                        | \$ 6,220,406        |
| Agency fund                                    | <u>35,166</u>       |
| Total  | <u>\$ 6,255,572</u> |

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Hancock, Seneca and Wyandot counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2019, are available to finance fiscal year 2019 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2019 taxes were collected are:

|   | 2018 Second<br>Half Collections |                | 2019 First<br>Half Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 53,168,930                   | 96.86          | \$ 53,239,320                  | 96.65          |
| Public utility personal                           | <u>1,726,330</u>                | <u>3.14</u>    | <u>1,847,110</u>               | <u>3.35</u>    |
| Total   | <u>\$ 54,895,260</u>            | <u>100.00</u>  | <u>\$ 55,086,430</u>           | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     | \$40.93                         |                | \$39.90                        |                |

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 7 - INCOME TAXES**

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2006, for a five-year period. In May 2010, the voters renewed the 1 percent income tax for a continuing period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NOTE 8 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the School District contracted for the following insurance coverage.

Coverage provided by the Schools of Ohio Risk Sharing Authority is as follows:

|   |               |
|---|---------------|
| General School District Liability         |               |
| Per Occurrence                            | \$ 15,000,000 |
| Total per Year                            | 17,000,000    |
| Automobile Liability                      | 15,000,000    |
| Buildings and Contents - replacement cost |               |

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.

For fiscal year 2019, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with SORSA for insurance coverage and pays annual premiums to SORSA based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in Ohio SchoolComp, a Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool sponsored by the Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials' (OASBO). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other school districts in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to educational entities that can meet the GRP's selection criteria. Each participant must apply annually. The GRP provides the participants with a centralized program for processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**VANLUE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 8 - RISK MANAGEMENT - (Continued)**

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

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description - The School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

|                              | Eligible to<br>Retire on or before<br>August 1, 2017 *                                | Eligible to<br>Retire after<br>August 1, 2017  |
|------------------------------|---|--|
| Full benefits                | Age 65 with 5 years of services credit; or<br>Any age with 30 years of service credit | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit; or<br>Age 55 with 25 years of service credit   | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$64,714 for fiscal year 2019.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

**VANLUE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$161,094 for fiscal year 2019.



**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Net Pension Liability***

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share:

|  | <u>SERS</u>         | <u>STRS</u>         | <u>Total</u> |
|--|---------------------|---------------------|--------------|
| Proportion of the net pension liability prior measurement date   | 0.01427260%         | 0.01410600%         |              |
| Proportion of the net pension liability current measurement date | <u>0.01419740%</u>  | <u>0.00989046%</u>  |              |
| Change in proportionate share                                    | <u>-0.00007520%</u> | <u>-0.00421554%</u> |              |
| Proportionate share of the net pension liability                 | \$ 813,111          | \$ 2,174,690        | \$ 2,987,801 |

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

|   |   |
|---|---|
| Wage inflation  | 3.00%   |
| Future salary increases, including inflation<br>COLA or ad hoc COLA | 3.50% to 18.20%   |
|   | 2.50%, on and after April 1, 2018, COLA's for future<br>retirees will be delayed for three years following commencement |
| Investment rate of return   | 7.50% net of investments expense, including inflation   |
| Actuarial cost method   | Entry age normal (level percent of payroll)   |

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| <u>Asset Class</u>     | <u>Target<br/>Allocation</u> | <u>Long Term Expected<br/>Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash                   | 1.00 %                       | 0.50 %  |
| US Equity              | 22.50                        | 4.75  |
| International Equity   | 22.50                        | 7.00  |
| Fixed Income           | 19.00                        | 1.50  |
| Private Equity         | 10.00                        | 8.00  |
| Real Assets            | 15.00                        | 5.00  |
| Multi-Asset Strategies | 10.00                        | 3.00  |
| Total                  | <u>100.00 %</u>              |   |

**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

|  | 1% Decrease<br>(6.50%) | Current<br>Discount Rate<br>(7.50%) | 1% Increase<br>(8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$ 1,145,329           | \$ 813,111                          | \$ 534,569             |

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

|                                      | July 1, 2018  |
|--------------------------------------|---|
| Inflation                            | 2.50%   |
| Projected salary increases           | 12.50% at age 20 to<br>2.50% at age 65                    |
| Investment rate of return            | 7.45%, net of investment<br>expenses, including inflation |
| Payroll increases                    | 3.00%   |
| Cost-of-living adjustments<br>(COLA) | 0.0%, effective July 1, 2017                              |

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| Asset Class          | Target<br>Allocation** | Long Term Expected<br>Real Rate of Return * |
|----------------------|------------------------|---|
| Domestic Equity      | 28.00 %                | 7.35 %                                      |
| International Equity | 23.00                  | 7.55  |
| Alternatives         | 17.00                  | 7.09  |
| Fixed Income         | 21.00                  | 3.00  |
| Real Estate          | 10.00                  | 6.00  |
| Liquidity Reserves   | 1.00                   | 2.25  |
| Total                | <u>100.00 %</u>        |   |

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\*The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

|  | 1% Decrease<br>(6.45%) | Current<br>Discount Rate<br>(7.45%) | 1% Increase<br>(8.45%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$ 3,175,849           | \$ 2,174,690                        | \$ 1,327,345           |

**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - DEFINED BENEFIT OPEB PLANS**

*Net OPEB Liability/Asset*

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB liability/asset represents the School District’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

*Plan Description - School Employees Retirement System (SERS)*

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$7,810.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$10,207 for fiscal year 2019.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Net OPEB Liability/Asset*

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability/asset was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

|   | <u>SERS</u>        | <u>STRS</u>        | <u>Total</u> |
|---|--------------------|--------------------|--------------|
| Proportion of the net OPEB liability prior measurement date         | 0.01427260%        | 0.00980649%        |              |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.01440900%</u> | <u>0.00989905%</u> |              |
| Change in proportionate share                                       | <u>0.00013640%</u> | <u>0.00009256%</u> |              |
| Proportionate share of the net OPEB liability                       | \$ 399,745         | \$ -               | \$ 399,745   |
| Proportionate share of the net OPEB asset                           | \$ -               | \$ 159,068         | \$ 159,068   |

*Actuarial Assumptions - SERS*

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

|  |  |
|--|--|
| Wage inflation   | 3.00%  |
| Future salary increases, including inflation   | 3.50% to 18.20%  |
| Investment rate of return  | 7.50% net of investments<br>expense, including inflation |
| Municipal bond index rate:   |  |
| Measurement date   | 3.62%  |
| Prior measurement date   | 3.56%  |
| Single equivalent interest rate, net of plan investment expense,<br>including price inflation: |  |
| Measurement date   | 3.70%  |
| Prior measurement date   | 3.63%  |
| Medical trend assumption:  |  |
| Medicare   | 5.375 to 4.75%   |
| Pre-Medicare   | 7.25 to 4.75%  |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

| Asset Class            | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|------------------------|----------------------|---|
| Cash                   | 1.00 %               | 0.50 %                                    |
| US Stocks              | 22.50                | 4.75                                      |
| Non-US Stocks          | 22.50                | 7.00                                      |
| Fixed Income           | 19.00                | 1.50                                      |
| Private Equity         | 10.00                | 8.00                                      |
| Real Assets            | 15.00                | 5.00                                      |
| Multi-Asset Strategies | 10.00                | 3.00                                      |
| Total                  | <u>100.00 %</u>      |   |

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 3.75%) and higher (8.5% decreasing to 5.75%) than the current rate.

|   | 1% Decrease<br>(2.70%) | Current<br>Discount Rate<br>(3.70%) | 1% Increase<br>(4.70%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net OPEB liability | \$ 485,059             | \$ 399,745                          | \$ 332,192             |

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

|   | 1% Decrease<br>(6.5 % decreasing<br>to 3.75 %) | Current<br>Trend Rate<br>(7.5 % decreasing<br>to 4.75 %) | 1% Increase<br>(8.5 % decreasing<br>to 5.75 %) |
|---|--|--|--|
| School District's proportionate share of the net OPEB liability | \$ 322,521                                     | \$ 399,745   | \$ 502,003                                     |

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

|                                      | July 1, 2018  | July 1, 2017  |
|--------------------------------------|---|---|
| Inflation                            | 2.50%   | 2.50%   |
| Projected salary increases           | 12.50% at age 20 to<br>2.50% at age 65                    | 12.50% at age 20 to<br>2.50% at age 65                    |
| Investment rate of return            | 7.45%, net of investment<br>expenses, including inflation | 7.45%, net of investment<br>expenses, including inflation |
| Payroll increases                    | 3.00%   | 3.00%   |
| Cost-of-living adjustments<br>(COLA) | 0.00%   | 0.00%, effective July 1, 2017                             |
| Discounted rate of return            | 7.45%   | N/A   |
| Blended discount rate of return      | N/A   | 4.13%   |
| Health care cost trends              |   | 6 to 11% initial, 4.50% ultimate                          |
|                                      | Initial   | Ultimate  |
| Medical                              |   |   |
| Pre-Medicare                         | 6.00%   | 4.00%   |
| Medicare                             | 5.00%   | 4.00%   |
| Prescription Drug                    |   |   |
| Pre-Medicare                         | 8.00%   | 4.00%   |
| Medicare                             | -5.23%  | 4.00%   |

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

**Assumption Changes Since the Prior Measurement Date** - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

**Benefit Term Changes Since the Prior Measurement Date** - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| Asset Class          | Target<br>Allocation** | Long Term Expected<br>Real Rate of Return * |
|----------------------|------------------------|---|
| Domestic Equity      | 28.00 %                | 7.35 %                                      |
| International Equity | 23.00                  | 7.55  |
| Alternatives         | 17.00                  | 7.09  |
| Fixed Income         | 21.00                  | 3.00  |
| Real Estate          | 10.00                  | 6.00  |
| Liquidity Reserves   | 1.00                   | 2.25  |
| Total                | <u>100.00 %</u>        |   |

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\* The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate* - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

|   | 1% Decrease<br>(6.45%) | Current<br>Discount Rate<br>(7.45%) | 1% Increase<br>(8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net OPEB asset | \$ 136,336             | \$ 159,068                          | \$ 178,173             |

|   | 1% Decrease | Current<br>Trend Rate | 1% Increase |
|---|-------------|-----------------------|-------------|
| School District's proportionate share of the net OPEB asset | \$ 177,094  | \$ 159,068            | \$ 140,760  |

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees 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. Sick leave may be accumulated up to a maximum of one hundred eighty-five days for teachers and one hundred eighty days for classified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit up to a maximum of thirty days for all employees. Teachers receive an additional severance payment of up to thirty days for accumulated sick leave in excess of one-hundred eighty-five days.

**B. Employee Insurance Benefits**

The School District provides medical, dental, and vision insurance to all employees through the Hancock County Schools Health Benefit Fund. 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.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 12 - SET-ASIDES**

The School District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

|                                    | <u>Capital<br/>Improvements</u> |
|------------------------------------|---------------------------------|
| Set-aside balance June 30, 2018    | \$ -                            |
| Current year set-aside requirement | 36,070                          |
| Current year offsets               | <u>(36,070)</u>                 |
| Set-aside balance June 30, 2019    | <u>\$ -</u>                     |

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2019.

**B. Litigation**

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

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2019 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 14 - COMMITMENTS**

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

| <u>Fund</u>                 | <u>Year-End<br/>Encumbrances</u> |
|-----------------------------|----------------------------------|
| General fund                | \$ 192,588                       |
| Other nonmajor governmental | <u>12,026</u>                    |
| Total                       | <u>\$ 204,614</u>                |

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)**

The management's discussion and analysis of the Vanlue Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2018, within the limitations of the School District's cash basis of accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2018 are as follows:

- The net position of the School District increased \$691,015 or 12.86% from fiscal year 2017.
- General cash receipts accounted for \$3,644,868 or 83.86% of total governmental activities cash receipts. Program specific cash receipts accounted for \$701,724 or 16.14% of total governmental activities cash receipts.
- The School District had \$3,655,577 in cash disbursements related to governmental activities; \$701,724. of these cash disbursements were offset by program specific charges for services, grants or contributions.
- The School District's major fund is the general fund. The general fund had cash receipts of \$4,023,722 in 2018. The cash disbursements of the general fund totaled \$3,305,397 in 2018. The general fund's cash balance increased \$718,325 or 14.30% from 2017 to 2018.

**Using the Basic Financial Statements (BFS)**

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

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole School District, presenting an aggregate view of the School District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund is the only major governmental fund.

**Reporting the School District as a Whole**

***Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis***

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2018?" These statements are prepared using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)**

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

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

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund. The analysis of the School District's major governmental funds begins on page 8.

***Governmental Funds***

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the School District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various School District programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

The School District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the School District's compliance with annually adopted budgets.



**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

The School District's only fiduciary fund is an agency fund. All of the School District's fiduciary activities are reported in separate statements of cash basis fiduciary assets and liabilities. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

***Notes to the Financial Statements***

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

**Government-Wide Financial Analysis**

Recall that the statement of net position - cash basis provides the perspective of the School District as a whole.

The table below provides a summary of the School District's net position at June 30, 2018 and June 30, 2017.

|                     | <b>Net Position</b>                       |   |
|---------------------|---|---|
|                     | Governmental<br>Activities<br><u>2018</u> | Governmental<br>Activities<br><u>2017</u> |
| <u>Assets</u>       |   |   |
| Current Assets      | \$ 6,064,843                              | \$ 5,373,834                              |
| Total assets        | <u>6,064,843</u>                          | <u>5,373,834</u>                          |
| <u>Net Position</u> |   |   |
| Restricted          | 335,571                                   | 354,383                                   |
| Unrestricted        | <u>5,729,272</u>                          | <u>5,019,451</u>                          |
| Total net position  | <u>\$ 6,064,843</u>                       | <u>\$ 5,373,834</u>                       |

The total net position of the School District increased \$691,015 which represents a 12.86% increase from fiscal year 2017. The balance of government-wide unrestricted net position of \$5,729,272 may be used to meet the government's ongoing obligations to citizens and creditors.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)

The table below shows the changes in net position for fiscal year 2018 and 2017.

|                                    | <b>Change in Net Position</b>             |   |
|------------------------------------|---|---|
|                                    | Governmental<br>Activities<br><u>2018</u> | Governmental<br>Activities<br><u>2017</u> |
| <b>Cash Receipts:</b>              |   |   |
| Program cash receipts:             |   |   |
| Charges for services and sales     | \$ 477,014                                | \$ 458,957                                |
| Operating grants and contributions | <u>224,710</u>                            | <u>258,826</u>                            |
| Total program cash receipts        | <u>701,724</u>                            | <u>717,783</u>                            |
| General cash receipts:             |   |   |
| Property and other taxes           | 1,349,297                                 | 1,335,796                                 |
| Income taxes                       | 428,860                                   | 474,956                                   |
| Grants and entitlements            | 1,816,453                                 | 1,806,038                                 |
| Investment earnings                | 42,442                                    | 23,055                                    |
| Other                              | <u>7,816</u>                              | <u>5,560</u>                              |
| Total general cash receipts        | <u>3,644,868</u>                          | <u>3,645,405</u>                          |
| Total cash receipts                | <u>4,346,592</u>                          | <u>4,363,188</u>                          |
| <b>Cash Disbursements:</b>         |   |   |
| Instruction:                       |   |   |
| Regular                            | 1,664,498                                 | 1,593,513                                 |
| Special                            | 368,423                                   | 415,207                                   |
| Vocational                         | 20,939                                    | 17,330                                    |
| Other                              | 43,899                                    | 39,374                                    |
| Support services:                  |   |   |
| Pupil                              | 133,688                                   | 136,987                                   |
| Instructional staff                | 144,053                                   | 131,592                                   |
| Board of education                 | 43,382                                    | 41,745                                    |
| Administration                     | 295,783                                   | 297,279                                   |
| Fiscal                             | 91,038                                    | 72,024                                    |
| Operations and maintenance         | 370,911                                   | 271,751                                   |
| Pupil transportation               | 237,432                                   | 227,620                                   |
| Central                            | 60  | 5,967                                     |
| Food service operations            | 80,818                                    | 74,796                                    |
| Extracurricular                    | <u>160,653</u>                            | <u>150,873</u>                            |
| Total cash disbursements           | <u>3,655,577</u>                          | <u>3,476,058</u>                          |
| Change in net position             | 691,015                                   | 887,130                                   |
| Net position at beginning of year  | <u>5,373,834</u>                          | <u>4,486,704</u>                          |
| Net position at end of year        | <u>\$ 6,064,849</u>                       | <u>\$ 5,373,834</u>                       |

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)

**Governmental Activities**

Governmental net position increased by \$691,015 in 2018 from 2017. Total governmental disbursements of \$3,655,577 were offset by program receipts of \$701,724 and general receipts of \$3,644,868. Program receipts supported 19.20% of the total governmental disbursements. The largest governmental disbursement was instructional expenditures which totaled \$2,097,759.

The primary sources of receipts for governmental activities are derived from taxes, and unrestricted grants and entitlements. These receipt sources represent 82.70% of total governmental receipts. Real estate property is reappraised every six years.

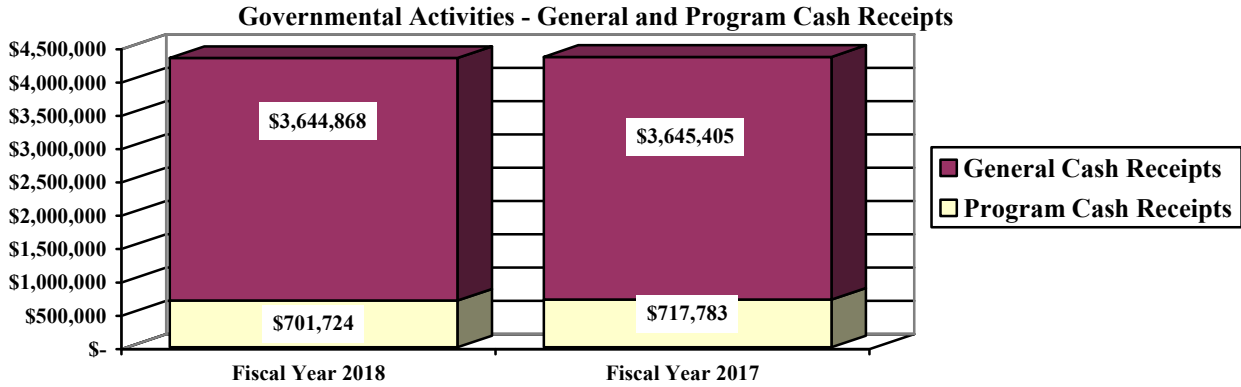
**Governmental Activities**

|                            | Total Cost of<br>Services<br><u>2018</u> | Net Cost of<br>Services<br><u>2018</u> | Total Cost of<br>Services<br><u>2017</u> | Net Cost of<br>Services<br><u>2017</u> |
|----------------------------|--|--|--|--|
| <b>Cash disbursements:</b> |  |  |  |  |
| Instruction:               |  |  |  |  |
| Regular                    | \$ 1,664,498                             | \$ 1,401,077                           | \$ 1,593,513                             | \$ 1,348,091                           |
| Special                    | 368,423                                  | 215,229                                | 415,207                                  | 200,200                                |
| Vocational                 | 20,939                                   | 8,880                                  | 17,330                                   | 4,626                                  |
| Other                      | 43,899                                   | 43,899                                 | 39,374                                   | 39,374                                 |
| Support services:          |  |  |  |  |
| Pupil                      | 133,688                                  | 112,536                                | 136,987                                  | 106,165                                |
| Instructional staff        | 144,053                                  | 113,350                                | 131,592                                  | 111,592                                |
| Board of education         | 43,382                                   | 43,382                                 | 41,745                                   | 41,745                                 |
| Administration             | 295,783                                  | 295,783                                | 297,279                                  | 297,279                                |
| Fiscal                     | 91,038                                   | 91,038                                 | 72,024                                   | 72,024                                 |
| Operations and maintenance | 370,911                                  | 370,911                                | 271,751                                  | 271,751                                |
| Pupil transportation       | 237,432                                  | 146,383                                | 227,620                                  | 158,921                                |
| Central                    | 60                                       | 60                                     | 5,967                                    | 5,967                                  |
| Food service operations    | 80,818                                   | (2,140)                                | 74,796                                   | (10,726)                               |
| Extracurricular            | 160,653                                  | 113,465                                | 150,873                                  | 111,266                                |
|                            | <u>\$ 3,655,577</u>                      | <u>\$ 2,953,853</u>                    | <u>\$ 3,476,058</u>                      | <u>\$ 2,758,275</u>                    |
| Total                      |  |  |  |  |

The dependence upon general cash receipts for governmental activities is apparent, with only 19.20% of cash disbursements supported through program cash receipts during 2018.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)



**Financial Analysis of the Government's Funds**

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

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

The School District's governmental funds reported a combined fund balance of \$6,064,849, which is \$691,015 greater than last year's total of \$5,373,834. The schedule below indicates the fund balance and the total change in fund cash balance as of June 30, 2018 and June 30, 2017, for all major and nonmajor governmental funds.

|                                   | Fund Balance<br><u>June 30, 2018</u> | Fund Balance<br><u>June 30, 2017</u> | <u>Increase</u>   |
|-----------------------------------|--------------------------------------|--------------------------------------|-------------------|
| General                           | \$ 5,739,877                         | \$ 5,021,552                         | \$ 718,325        |
| Other nonmajor governmental funds | <u>324,972</u>                       | <u>352,282</u>                       | <u>(27,310)</u>   |
| Total                             | <u>\$ 6,064,849</u>                  | <u>\$ 5,373,834</u>                  | <u>\$ 691,015</u> |

**General Fund**

The School District's major fund is the general fund. The general fund had cash receipts of \$4,023,722 in 2018. The cash disbursements of the general fund totaled \$3,305,397 in 2018. The general fund's cash balance increased \$718,325 or 14.30% from 2017 to 2018.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)

The table that follows assists in illustrating the cash receipts of the general fund.

|                              | 2018<br><u>Amount</u> | 2017<br><u>Amount</u> | Percentage<br><u>Change</u> |
|------------------------------|-----------------------|-----------------------|-----------------------------|
| <b><u>Cash Receipts:</u></b> |                       |                       |                             |
| Property Taxes               | \$ 1,268,718          | \$ 1,254,720          | 1.12 %                      |
| Income Taxes                 | 428,860               | 474,956               | (9.71) %                    |
| Tuition                      | 312,153               | 316,771               | (1.46) %                    |
| Transportation fees          | 81,123                | 56,920                | 42.52 %                     |
| Earnings on investments      | 42,442                | 23,055                | 84.09 %                     |
| Other revenues               | 14,287                | 11,423                | 25.07 %                     |
| Intergovernmental            | <u>1,876,139</u>      | <u>1,896,156</u>      | (1.06) %                    |
| Total                        | <u>\$ 4,023,722</u>   | <u>\$ 4,034,001</u>   | (0.25) %                    |

Overall, general fund cash receipts decreased \$10,279 or 0.25%. Transportation fees increased \$24,203 or 42.52% due to the District receiving bus reimbursements in fiscal year 2018 that were not received in fiscal year 2017. Other receipts increased \$2,864 or 25.07%, primarily due to an increase in local revenues. Earnings on investment increased by \$19,387 or 84.09% due to an increase in interest income. All other cash receipts for the general fund remained consistent with prior year.

The table that follows assists in illustrating the expenditures of the general fund.

|                                  | 2018<br><u>Amount</u> | 2017<br><u>Amount</u> | Percentage<br><u>Change</u> |
|----------------------------------|-----------------------|-----------------------|-----------------------------|
| <b><u>Cash Disbursements</u></b> |                       |                       |                             |
| Instruction                      | \$ 2,044,634          | \$ 2,003,281          | 2.06 %                      |
| Support services                 | 1,148,656             | 1,113,120             | 3.19 %                      |
| Extracurricular                  | <u>112,107</u>        | <u>112,479</u>        | (0.33) %                    |
| Total                            | <u>\$ 3,305,397</u>   | <u>\$ 3,228,880</u>   | 2.37 %                      |

Overall, general fund cash disbursements increased \$76,517 or 2.31%. Support services increased \$35,536 or 3.19% primarily due to an increase in maintenance and administration disbursements. All other disbursements for the general fund remained consistent with prior year.

***Budgeting Highlights - General Fund***

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

For the general fund, final budgetary basis receipts and other financing sources of \$4,036,310 were more than the original budget estimate of \$3,856,810. The actual budgetary basis receipts and other financing sources of \$4,074,068 were more than the final budget estimates by \$37,758. The final budgetary basis disbursements and other financing uses of \$4,345,845 were \$108,303 less than original budget estimates of \$4,454,148. The actual budgetary basis disbursements of \$3,793,905 were \$551,940 less than the final budget estimates.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Unaudited)

**Capital Assets and Debt Administration**

***Capital Assets***

The School District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District did not make any facilities acquisition and construction cash disbursements during fiscal year 2018.

***Debt Administration***

The School District did not have any long-term debt outstanding at June 30, 2018.

**Current Financial Related Activities**

Vanlue is a small rural community of 1,500 people in Northwest Ohio. Agriculture is the primary contributing influence on the economy.

Over the past several years, Vanlue District voters have supported the School District with the passage of a number of levies. In November 2005, the 4 mill permanent improvement levy was renewed for a continuing period. In May of 2009, the two emergency levies were combined and renewed for a period of ten years at 10.6 mills. In May of 2010, the voters renewed the 1 percent income tax levy for a continuing period of time.

The Board of Education looked at new ways of providing an outstanding education while keeping costs in check. In 2013, a "Bring your Own Device" program was launched along with a 1:1 Initiative for students in grades 7<sup>th</sup> and 8<sup>th</sup>. By 2014, the 1:1 Initiative was in expanded to all students in grades 6<sup>th</sup>-12<sup>th</sup>.

In 2015, a continuing initiative for advanced technology along with the development of challenging courses and opportunities beyond the classroom through college credit plus, Millstream, a dedicated staff and a partnership with the community was launched. In 2018, online electives as well as STEM-exploration curriculum is being offered.

The Board is also continuing to share our School District Treasurer with Kenton City School District. In addition, the School District is providing the busing for the Hancock County Board of Developmental Disabilities, Blanchard Valley Center in Findlay.

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

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Tracy Hiller, Treasurer, Vanlue Local School District, 301 South East Street, P.O. Box 250, Vanlue, Ohio 45890-0250.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2018

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets:</b>                                   |                                    |
| Equity in pooled cash and cash equivalents . . . | \$ 6,064,849                       |
| <br><b>Net position:</b>                         |                                    |
| Restricted for:                                  |                                    |
| Capital projects . . . . .                       | \$ 224,633                         |
| Locally funded programs . . . . .                | 225                                |
| State funded programs . . . . .                  | 5,033                              |
| Federally funded programs . . . . .              | 60                                 |
| Student activities . . . . .                     | 33,917                             |
| Other purposes . . . . .                         | 71,703                             |
| Unrestricted. . . . .                            | 5,729,278                          |
| Total net position. . . . .                      | \$ 6,064,849                       |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

|  | <u>Cash</u><br><u>Disbursements</u> | <u>Program Cash Receipts</u>                    |   | <u>Net (Disbursement)</u><br><u>Receipt and Changes</u><br><u>in Net Position</u><br><u>Governmental</u><br><u>Activities</u> |
|--|-------------------------------------|---|---|---|
|  |                                     | <u>Charges for</u><br><u>Services and Sales</u> | <u>Operating Grants</u><br><u>and Contributions</u> |   |
| <b>Governmental activities:</b>                |                                     |   |   |   |
| Instruction:                                   |                                     |   |   |   |
| Regular . . . . .                              | \$ 1,664,498                        | \$ 259,730                                      | \$ 3,691  | \$ (1,401,077)  |
| Special . . . . .                              | 368,423                             | 58,894  | 94,300  | (215,229)   |
| Vocational . . . . .                           | 20,939                              | -   | 12,059  | (8,880)   |
| Other . . . . .                                | 43,899                              | -   | -   | (43,899)  |
| Support services:                              |                                     |   |   |   |
| Pupil . . . . .                                | 133,688                             | -   | 21,152  | (112,536)   |
| Instructional staff . . . . .                  | 144,053                             | -   | 30,703  | (113,350)   |
| Board of education . . . . .                   | 43,382                              | -   | -   | (43,382)  |
| Administration . . . . .                       | 295,783                             | -   | -   | (295,783)   |
| Fiscal . . . . .                               | 91,038                              | -   | -   | (91,038)  |
| Operations and maintenance . . . . .           | 370,911                             | -   | -   | (370,911)   |
| Pupil transportation . . . . .                 | 237,432                             | 81,123  | 9,926   | (146,383)   |
| Central . . . . .                              | 60                                  | -   | -   | (60)  |
| Operation of non-instructional services:       |                                     |   |   |   |
| Food service operations . . . . .              | 80,818                              | 46,242  | 36,716  | 2,140   |
| Extracurricular activities . . . . .           | 160,653                             | 31,025  | 16,163  | (113,465)   |
| <b>Total governmental activities . . . . .</b> | <b>\$ 3,655,577</b>                 | <b>\$ 477,014</b>                               | <b>\$ 224,710</b>                                   | <b>(2,953,853)</b>  |

|  |                     |
|--|---------------------|
| <b>General receipts:</b>                           |                     |
| Property taxes levied for:                         |                     |
| General purposes . . . . .                         | 1,268,718           |
| Permanent improvements . . . . .                   | 80,579              |
| Income taxes levied for General Purposes . . . . . | 428,860             |
| Grants and entitlements not restricted             |                     |
| to specific programs . . . . .                     | 1,816,453           |
| Investment earnings . . . . .                      | 42,442              |
| Miscellaneous . . . . .                            | 7,816               |
| <b>Total general receipts . . . . .</b>            | <b>3,644,868</b>    |
| Change in net position . . . . .                   | 691,015             |
| <b>Net position at beginning of year . . . . .</b> | <b>5,373,834</b>    |
| <b>Net position at end of year . . . . .</b>       | <b>\$ 6,064,849</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENTS OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

|  | <b>General</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|----------------|--|---|
| <b>Assets:</b>   |                |  |   |
| Equity in pooled cash<br>and cash equivalents. . . . . | \$ 5,739,877   | \$ 324,972                                 | \$ 6,064,849                            |
| <b>Fund balances:</b>                                  |                |  |   |
| Restricted:  |                |  |   |
| Capital improvements . . . . .                         | \$ -           | \$ 224,633                                 | \$ 224,633                              |
| Food service operations . . . . .                      | -              | 71,703                                     | 71,703                                  |
| Extracurricular . . . . .                              | -              | 33,917                                     | 33,917                                  |
| Other purposes . . . . .                               | -              | 5,318                                      | 5,318                                   |
| Committed:   |                |  |   |
| Termination benefits . . . . .                         | 8,289          | -  | 8,289                                   |
| Assigned:  |                |  |   |
| Student instruction . . . . .                          | 35,115         | -  | 35,115                                  |
| Student and staff support. . . . .                     | 416,823        | -  | 416,823                                 |
| Extracurricular activities. . . . .                    | 1,888          | -  | 1,888                                   |
| Subsequent year's appropriations . . . . .             | 309,540        | -  | 309,540                                 |
| Unassigned (deficit) . . . . .                         | 4,968,222      | (10,599)                                   | 4,957,623                               |
| Total fund balances . . . . .                          | \$ 5,739,877   | \$ 324,972                                 | \$ 6,064,849                            |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

|   | <u>General</u>      | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|--|---|
| <b>Receipts:</b>                                    |                     |  |   |
| From local sources:                                 |                     |  |   |
| Property taxes . . . . .                            | \$ 1,268,718        | \$ 80,579                                  | \$ 1,349,297                            |
| Income taxes . . . . .                              | 428,860             | -  | 428,860                                 |
| Tuition . . . . .                                   | 312,153             | -  | 312,153                                 |
| Transportation fees. . . . .                        | 81,123              | -  | 81,123                                  |
| Earnings on investments . . . . .                   | 42,442              | 867  | 43,309                                  |
| Charges for services . . . . .                      | -                   | 45,375                                     | 45,375                                  |
| Extracurricular . . . . .                           | -                   | 31,025                                     | 31,025                                  |
| Classroom materials and fees . . . . .              | 6,471               | -  | 6,471                                   |
| Contributions and donations. . . . .                | 1,279               | 16,163                                     | 17,442                                  |
| Other local revenues . . . . .                      | 6,537               | -  | 6,537                                   |
| Intergovernmental - state . . . . .                 | 1,876,139           | 14,735                                     | 1,890,874                               |
| Intergovernmental - federal . . . . .               | -                   | 134,126                                    | 134,126                                 |
| Total receipts. . . . .                             | <u>4,023,722</u>    | <u>322,870</u>                             | <u>4,346,592</u>                        |
| <b>Disbursements:</b>                               |                     |  |   |
| Current:  |                     |  |   |
| Instruction:  |                     |  |   |
| Regular . . . . .                                   | 1,660,349           | 4,149                                      | 1,664,498                               |
| Special . . . . .                                   | 319,447             | 48,976                                     | 368,423                                 |
| Vocational. . . . .                                 | 20,939              | -  | 20,939                                  |
| Other . . . . .                                     | 43,899              | -  | 43,899                                  |
| Support services:                                   |                     |  |   |
| Pupil . . . . .                                     | 107,115             | 26,573                                     | 133,688                                 |
| Instructional staff . . . . .                       | 113,350             | 30,703                                     | 144,053                                 |
| Board of education. . . . .                         | 43,382              | -  | 43,382                                  |
| Administration. . . . .                             | 295,783             | -  | 295,783                                 |
| Fiscal . . . . .                                    | 89,419              | 1,619                                      | 91,038                                  |
| Operations and maintenance. . . . .                 | 262,115             | 108,796                                    | 370,911                                 |
| Pupil transportation . . . . .                      | 237,432             | -  | 237,432                                 |
| Central. . . . .                                    | 60                  | -  | 60                                      |
| Food service operations . . . . .                   | -                   | 80,818                                     | 80,818                                  |
| Extracurricular activities . . . . .                | 112,107             | 48,546                                     | 160,653                                 |
| Total disbursements . . . . .                       | <u>3,305,397</u>    | <u>350,180</u>                             | <u>3,655,577</u>                        |
| Net change in fund balances . . . . .               | 718,325             | (27,310)                                   | 691,015                                 |
| <b>Fund balances at beginning of year . . . . .</b> | <u>5,021,552</u>    | <u>352,282</u>                             | <u>5,373,834</u>                        |
| <b>Fund balances at end of year . . . . .</b>       | <u>\$ 5,739,877</u> | <u>\$ 324,972</u>                          | <u>\$ 6,064,849</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

|  | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
|  | <u>Original</u>         | <u>Final</u>        |                     |   |
| <b>Receipts:</b>   |                         |                     |                     |   |
| From local sources:  |                         |                     |                     |   |
| Property taxes . . . . .   | \$ 1,181,990            | \$ 1,265,903        | \$ 1,268,718        | \$ 2,815  |
| Income taxes. . . . .  | 450,056                 | 429,500             | 428,860             | (640)   |
| Tuition. . . . .   | 343,034                 | 315,826             | 312,153             | (3,673)   |
| Transportation fees. . . . .   | 52,875                  | 47,999              | 81,123              | 33,124  |
| Earnings on investments . . . . .                                      | 14,917                  | 32,836              | 42,442              | 9,606   |
| Classroom materials and fees . . . . .                                 | 6,110                   | 7,169               | 6,471               | (698)   |
| Contributions and donations . . . . .                                  | 70                      | 70                  | 1                   | (69)  |
| Other local revenues . . . . .   | 6,098                   | 6,471               | 6,537               | 66  |
| Intergovernmental - state . . . . .                                    | <u>1,788,358</u>        | <u>1,879,292</u>    | <u>1,876,139</u>    | <u>(3,153)</u>  |
| Total receipts . . . . .   | <u>3,843,508</u>        | <u>3,985,066</u>    | <u>4,022,444</u>    | <u>37,378</u>   |
| <b>Disbursements:</b>  |                         |                     |                     |   |
| Current:   |                         |                     |                     |   |
| Instruction:   |                         |                     |                     |   |
| Regular . . . . .  | 2,013,527               | 1,908,097           | 1,736,842           | 171,255   |
| Special. . . . .   | 490,237                 | 407,392             | 321,630             | 85,762  |
| Vocational . . . . .   | 33,236                  | 32,257              | 20,939              | 11,318  |
| Other. . . . .   | 65,304                  | 44,496              | 43,899              | 597   |
| Support services:  |                         |                     |                     |   |
| Pupil. . . . .   | 129,338                 | 129,223             | 109,887             | 19,336  |
| Instructional staff. . . . .   | 155,806                 | 134,889             | 116,231             | 18,658  |
| Board of education . . . . .   | 76,218                  | 59,935              | 45,182              | 14,753  |
| Administration. . . . .  | 381,025                 | 345,361             | 301,188             | 44,173  |
| Fiscal . . . . .   | 120,539                 | 117,717             | 103,079             | 14,638  |
| Operations and maintenance. . . . .                                    | 451,753                 | 657,161             | 621,921             | 35,240  |
| Pupil transportation . . . . .   | 370,976                 | 341,473             | 258,844             | 82,629  |
| Central . . . . .  | 3,471                   | 3,458               | 268                 | 3,190   |
| Extracurricular activities . . . . .                                   | <u>149,096</u>          | <u>150,764</u>      | <u>113,995</u>      | <u>36,769</u>   |
| Total disbursements . . . . .  | <u>4,440,526</u>        | <u>4,332,223</u>    | <u>3,793,905</u>    | <u>538,318</u>  |
| Excess (deficiency) of receipts over (under)<br>disbursements. . . . . | <u>(597,018)</u>        | <u>(347,157)</u>    | <u>228,539</u>      | <u>575,696</u>  |
| <b>Other financing sources (uses):</b>                                 |                         |                     |                     |   |
| Refund of prior year's expenditures. . . . .                           | 13,302                  | 51,244              | 51,624              | 380   |
| Refund of prior year's receipts . . . . .                              | (159)                   | (159)               | -                   | 159   |
| Transfers (out). . . . .   | <u>(13,463)</u>         | <u>(13,463)</u>     | <u>-</u>            | <u>13,463</u>   |
| Total other financing sources (uses) . . . . .                         | <u>(320)</u>            | <u>37,622</u>       | <u>51,624</u>       | <u>14,002</u>   |
| Net change in fund balance . . . . .                                   | (597,338)               | (309,535)           | 280,163             | 589,698   |
| <b>Fund balance at beginning of year . . . . .</b>                     | 4,787,472               | 4,787,472           | 4,787,472           | -   |
| <b>Prior year encumbrances appropriated . .</b>                        | 210,125                 | 210,125             | 210,125             | -   |
| <b>Fund balance at end of year . . . . .</b>                           | <u>\$ 4,400,259</u>     | <u>\$ 4,688,062</u> | <u>\$ 5,277,760</u> | <u>\$ 589,698</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENT OF CASH BASIS FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2018

|   | <u>Agency</u>    |
|---|------------------|
| <b>Assets:</b>  |                  |
| Equity in pooled cash<br>and cash equivalents . . . . . | <u>\$ 32,215</u> |
| <b>Liabilities:</b>                                     |                  |
| Held for student activities . . . . .                   | <u>\$ 32,215</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

Vanlue 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 federal guidelines.

The School District was established in 1922. The School District serves an area of approximately forty-nine square miles and is located in Hancock, Seneca, and Wyandot Counties and includes all of the Village of Vanlue and portions of Amanda, Biglick, Big Spring, and Ridge Townships. The School District is staffed by 15 classified employees, 22 certified teaching personnel, and 6 administrative employees who provide services to 205 students and other community members. In addition, 6 employees are assigned to Vanlue Transportation, which serves Hancock County for MRDD pickup and is funded (reimbursed) by the County. The School District currently operates an instructional building and a bus garage.

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 Vanlue 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 organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Vanlue Local School District.

The School District participates in four jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Career and Technology Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., Schools of Ohio Risk Sharing Authority, Ohio School Boards Association Workers’ Compensation Group Rating Plan, and Hancock County Schools Health Benefit Fund.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood 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. During fiscal year 2018, the School District paid \$26,125 to NOACSC for various services. Financial information can be obtained from NOACSC, 4277 East Road, Lima, Ohio 45807.

Millstream Career and Technology Center

The Millstream Career and Technology 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 Superintendents 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, 2019 Broad Avenue, Findlay, Ohio 45840.

Hancock County Local Professional Development Committee

The Hancock County Local Professional Development Committee (HCLPDC) was established in 1999 to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The HCLPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The HCLPDC is governed by a fourteen member Executive Board. Financial information can be obtained from the Hancock County Educational Service Center, who serves as fiscal agent, 7746 County Road 140, Findlay, Ohio 45840.

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, 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., 441 East Market Street, Celina, Ohio, 45822.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

INSURANCE POOLS

Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The SORSA's business and affairs are conducted by a nine member board consisting of Superintendents, Treasurers and Business Managers. Willis Pooling is contracted to provide reinsurance brokerage, underwriting, rating, billing, consulting services, and establishing agreements between SORSA and its members. Financial information can be obtained from SORSA, 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in Ohio SchoolComp, a Worker's Compensation Group Rating Program (GRP), an insurance premium rating pool sponsored by the Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials' (OASBO). The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or their designee, serves as coordinator of the Program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP.

The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

Hancock County Schools Health Benefit Fund

The Hancock County Schools Health Benefit Fund (Fund) 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 Developmental Disabilities. The Fund is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. Each participants' superintendent is appointed to an Administrative Committee which advises the Consultant, Neace Lukens, concerning aspects of the administration of the Fund.

**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Fund is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Neace Lukens, 285 Cozzins Street, Columbus, Ohio, 43215.

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

*Government-Wide Financial Statements* - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.



**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*GOVERNMENTAL FUNDS*

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's only major fund is the General Fund.

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

The other governmental funds of the School District account for (a) grants and other resources whose use is restricted, committed, or assigned to a particular purpose; and (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2018. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**E. 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. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2018, the School District invested in nonnegotiable certificates of deposit, negotiable certificates of deposit, federal agency securities and a U.S. Government money market. Nonnegotiable certificates of deposit are reported at cost.

The School District has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2018 was \$42,442, which includes \$1,851 assigned from other School District funds.

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

**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**F. Capital Assets**

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

**G. Compensated Absences**

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

**H. Long-Term Obligations**

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

**I. Net Position**

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net cash position restricted for other purposes includes amounts restricted for food service operations.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**J. Fund Balance**

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

*Nonspendable* - The nonspendable fund cash balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

*Restricted* - Fund cash balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Committed - The committed fund cash balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund cash balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund cash balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund cash balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

**K. Interfund Transactions**

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

**L. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2018, the School District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the School District's postemployment benefit plan disclosures, as presented in Note 10 to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the School District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2018 included the following individual fund deficits:

| <u>Nonmajor funds</u>          | <u>Deficit</u> |
|--------------------------------|----------------|
| IDEA Part B                    | \$ 8,776       |
| IDEA Grant for the Handicapped | 1,033          |
| Improving Teacher Quality      | 790            |

**VANLUE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

These cash deficits are the result of monies being expended with the expectation that the School District will be reimbursed during fiscal year 2020.

**C. Compliance**

Ohio Administrative Code, §117-2-03(B), requires that the School District prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis) and some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budgetary basis). The general fund encumbrances outstanding at year end (budgetary basis) were \$445,349. Funds budgeted elsewhere were (\$7,189).

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At fiscal year end, the School District had \$3,000 in undeposited cash on hand which is included as part of "equity in pooled cash and investments."

**B. Deposits with Financial Institutions**

At June 30, 2018, the carrying amount of all School District deposits was \$4,388,888. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, \$2,637,986 of the School District's bank balance of \$4,414,495 was exposed to custodial risk as discussed below, while \$1,776,509 was covered by the Federal Deposit Insurance Corporation and \$581,413 was covered by pledged collateral.

Custodial credit risk is the risk that, in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the School District's financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2018, the School District had the following investments and maturities:

| <u>Measurement/Investment type</u> | <u>Carrying Value</u> | <u>Investment maturities</u> |                       |                        |                               |
|------------------------------------|-----------------------|------------------------------|-----------------------|------------------------|-------------------------------|
|                                    |                       | <u>6 months or less</u>      | <u>7 to 12 months</u> | <u>13 to 24 months</u> | <u>Greater than 24 months</u> |
| Fair Value:                        |                       |                              |                       |                        |                               |
| U.S Government Money Market        | \$ 255,176            | \$ 255,176                   | \$ -                  | \$ -                   | \$ -                          |
| Negotiable CDs                     | 700,000               | 100,000                      | 440,000               | 160,000                | -                             |
| FHLB                               | 250,000               | -                            | -                     | -                      | 250,000                       |
| FHLMC                              | 500,000               | -                            | -                     | -                      | 500,000                       |
| <b>Total</b>                       | <b>\$ 1,705,176</b>   | <b>\$ 355,176</b>            | <b>\$ 440,000</b>     | <b>\$ 160,000</b>      | <b>\$ 750,000</b>             |

The weighted average maturity of investments is 1.71 years.



**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The U.S. Government money market mutual fund carries a rating of AAAm by Standard & Poor's. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District has no policy that would further limit its investment choices.

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

| <u>Investment type</u>           | <u>Carrying value</u> | <u>% of total</u> |
|----------------------------------|-----------------------|-------------------|
| Carrying Value:                  |                       |                   |
| U.S. Government mmkt mutual fund | \$ 255,176            | 14.97             |
| Negotiable CDs                   | 700,000               | 41.05             |
| FHLB                             | 250,000               | 14.66             |
| FHLMC                            | <u>500,000</u>        | <u>29.32</u>      |
| Total investments                | <u>\$ 1,705,176</u>   | <u>100.00</u>     |

**D. Reconciliation of Cash to the Statement of Net Cash Position**

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of June 30, 2018:

|                             |                     |
|-----------------------------|---------------------|
| <u>Cash per note</u>        |                     |
| Carrying amount of deposits | \$ 4,388,888        |
| Investments                 | 1,705,176           |
| Cash on hand                | <u>3,000</u>        |
| Total                       | <u>\$ 6,097,064</u> |

**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

|  |                     |
|--|---------------------|
| <u>Cash per statement of net cash position</u> |                     |
| Governmental activities                        | \$ 6,064,849        |
| Agency fund                                    | <u>32,215</u>       |
| Total  | <u>\$ 6,097,064</u> |

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Hancock, Seneca and Wyandot counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2018, are available to finance fiscal year 2017 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2018 taxes were collected are:

|   | 2017 Second<br>Half Collections |                | 2018 First<br>Half Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 53,570,050                   | 97.19          | \$ 53,168,930                  | 96.86          |
| Public utility personal                           | <u>1,550,760</u>                | <u>2.81</u>    | <u>1,726,330</u>               | <u>3.14</u>    |
| Total   | <u>\$ 55,120,810</u>            | <u>100.00</u>  | <u>\$ 54,895,260</u>           | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     | \$40.90                         |                | \$40.93                        |                |

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 7 - INCOME TAXES**

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2006, for a five-year period. In May 2010, the voters renewed the 1 percent income tax for a continuing period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NOTE 8 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted for the following insurance coverage.

Coverage provided by the Schools of Ohio Risk Sharing Authority is as follows:

|   |               |
|---|---------------|
| General School District Liability         |               |
| Per Occurrence                            | \$ 15,000,000 |
| Total per Year                            | 17,000,000    |
| Automobile Liability                      | 15,000,000    |
| Buildings and Contents - replacement cost |               |

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.

For fiscal year 2018, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with SORSA for insurance coverage and pays annual premiums to SORSA based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in Ohio SchoolComp, a Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool sponsored by the Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials' (OASBO). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other school districts in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to educational entities that can meet the GRP's selection criteria. Each participant must apply annually. The GRP provides the participants with a centralized program for processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8 - RISK MANAGEMENT – (Continued)**

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

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description - The School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

|                              | Eligible to<br>Retire on or before<br>August 1, 2017 *                          | Eligible to<br>Retire on or after<br>August 1, 2017                                  |
|------------------------------|---|--|
| Full benefits                | Any age with 30 years of service credit   | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$62,979 for fiscal year 2018.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

**VANLUE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$156,632 for fiscal year 2018.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Net Pension Liability***

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

|  | <u>SERS</u>         | <u>STRS</u>         | <u>Total</u> |
|--|---------------------|---------------------|--------------|
| Proportion of the net pension liability prior measurement date   | 0.01484080%         | 0.01068010%         |              |
| Proportion of the net pension liability current measurement date | <u>0.01410600%</u>  | <u>0.00980649%</u>  |              |
| Change in proportionate share                                    | <u>-0.00073480%</u> | <u>-0.00087361%</u> |              |
| Proportionate share of the net pension liability                 | \$ 842,802          | \$ 2,329,553        | \$ 3,172,355 |

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

|  |  |
|--|--|
| Wage inflation                               | 3.00 percent   |
| Future salary increases, including inflation | 3.50 percent to 18.20 percent                                |
| COLA or ad hoc COLA                          | 2.50 percent   |
| Investment rate of return                    | 7.50 percent net of investments expense, including inflation |
| Actuarial cost method                        | Entry age normal (level percent of payroll)                  |

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| <u>Asset Class</u>     | <u>Target<br/>Allocation</u> | <u>Long Term Expected<br/>Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash                   | 1.00 %                       | 0.50 %  |
| US Equity              | 22.50                        | 4.75  |
| International Equity   | 22.50                        | 7.00  |
| Fixed Income           | 19.00                        | 1.50  |
| Private Equity         | 10.00                        | 8.00  |
| Real Assets            | 15.00                        | 5.00  |
| Multi-Asset Strategies | <u>10.00</u>                 | 3.00  |
| Total                  | <u>100.00 %</u>              |   |



**VANLUE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

|  | 1% Decrease<br>(6.50%) | Current<br>Discount Rate<br>(7.50%) | 1% Increase<br>(8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$ 1,169,591           | \$ 842,802                          | \$ 569,050             |

**Actuarial Assumptions - STRS Ohio**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

|                                      | July 1, 2017   | July 1, 2016   |
|--------------------------------------|--|--|
| Inflation                            | 2.50 percent   | 2.75 percent   |
| Projected salary increases           | 12.50 percent at age 20 to<br>2.50 percent at age 65             | 12.25 percent at age 20 to<br>2.75 percent at age 70   |
| Investment rate of return            | 7.45 percent, net of investment<br>expenses, including inflation | 7.75 percent, net of investment<br>expenses, including inflation   |
| Payroll increases                    | 3 percent  | 3.5 percent  |
| Cost-of-living adjustments<br>(COLA) | 0.0 percent, effective July 1, 2017                              | 2 percent simple applied as follows:<br>for members retiring before<br>August 1, 2013, 2 percent per year;<br>for members retiring August 1, 2013,<br>or later, 2 percent COLA commences<br>on fifth anniversary of retirement date. |

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(SEE ACCOUNTANT’S COMPILATION REPORT)

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| <u>Asset Class</u>   | <u>Target<br/>Allocation</u> | <u>Long Term Expected<br/>Real Rate of Return *</u> |
|----------------------|------------------------------|---|
| Domestic Equity      | 28.00 %                      | 7.35 %  |
| International Equity | 23.00                        | 7.55  |
| Alternatives         | 17.00                        | 7.09  |
| Fixed Income         | 21.00                        | 3.00  |
| Real Estate          | 10.00                        | 6.00  |
| Liquidity Reserves   | <u>1.00</u>                  | 2.25  |
| Total                | <u><u>100.00 %</u></u>       |   |

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS; investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

|   | 1% Decrease<br>(6.45%) | Current<br>Discount Rate<br>(7.45%) | 1% Increase<br>(8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share<br>of the net pension liability | \$ 3,339,335           | \$ 2,329,553                        | \$ 1,478,963           |

**NOTE 10 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability**

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB liability represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Chapter 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$7,586.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$2,333 for fiscal year 2018.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability***

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

|   | SERS               | STRS               | Total      |
|---|--------------------|--------------------|------------|
| Proportion of the net OPEB liability prior measurement date   | 0.01427260%        | 0.00980649%        |            |
| Proportion of the net OPEB liability current measurement date | <u>0.01427260%</u> | <u>0.00980649%</u> |            |
| Change in proportionate share                                 | <u>0.00000000%</u> | <u>0.00000000%</u> |            |
| Proportionate share of the net OPEB liability                 | \$ 383,039         | \$ 382,613         | \$ 765,652 |

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Actuarial Assumptions - SERS*

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

|  |   |
|--|---|
| Wage inflation   | 3.00 percent  |
| Future salary increases, including inflation   | 3.50 percent to 18.20 percent                                   |
| Investment rate of return  | 7.50 percent net of investments<br>expense, including inflation |
| Municipal bond index rate:   |   |
| Measurement date   | 3.56 percent  |
| Prior measurement date   | 2.92 percent  |
| Single equivalent interest rate, net of plan investment expense,<br>including price inflation: |   |
| Measurement date   | 3.63 percent  |
| Prior measurement date   | 2.98 percent  |
| Medical trend assumption:  |   |
| Medicare   | 5.50 to 5.00 percent  |
| Pre-Medicare   | 7.50 to 5.00 percent  |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

| <u>Asset Class</u>     | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash                   | 1.00 %                       | 0.50 %  |
| US Stocks              | 22.50                        | 4.75  |
| Non-US Stocks          | 22.50                        | 7.00  |
| Fixed Income           | 19.00                        | 1.50  |
| Private Equity         | 10.00                        | 8.00  |
| Real Assets            | 15.00                        | 5.00  |
| Multi-Asset Strategies | 10.00                        | 3.00  |
| <br>                   |                              |   |
| Total                  | <u>100.00 %</u>              |   |

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates* - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

|   | 1% Decrease<br>(2.63%)                        | Current<br>Discount Rate<br>(3.63%)                     | 1% Increase<br>(4.63%)                        |
|---|---|---|---|
| School District's proportionate share of the net OPEB liability | \$ 462,568                                    | \$ 383,039  | \$ 320,032                                    |
|   |   |   |   |
|   | 1% Decrease<br>(6.5 % decreasing<br>to 4.0 %) | Current<br>Trend Rate<br>(7.5 % decreasing<br>to 5.0 %) | 1% Increase<br>(8.5 % decreasing<br>to 6.0 %) |
| School District's proportionate share of the net OPEB liability | \$ 310,808                                    | \$ 383,039  | \$ 478,639                                    |

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

|                                      |  |
|--------------------------------------|--|
| Inflation                            | 2.50 percent   |
| Projected salary increases           | 12.50 percent at age 20 to<br>2.50 percent at age 65             |
| Investment rate of return            | 7.45 percent, net of investment<br>expenses, including inflation |
| Payroll increases                    | 3 percent  |
| Cost-of-living adjustments<br>(COLA) | 0.0 percent, effective July 1, 2017                              |
| Blended discount rate of return      | 4.13 percent   |
| Health care cost trends              | 6 to 11 percent initial, 4.5 percent ultimate                    |

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.



**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| <u>Asset Class</u>   | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Rate of Return *</u> |
|----------------------|------------------------------|--|
| Domestic Equity      | 28.00 %                      | 7.35 %   |
| International Equity | 23.00                        | 7.55   |
| Alternatives         | 17.00                        | 7.09   |
| Fixed Income         | 21.00                        | 3.00   |
| Real Estate          | 10.00                        | 6.00   |
| Liquidity Reserves   | 1.00                         | 2.25   |
| <br>Total            | <br><u>100.00 %</u>          |  |

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

|  | 1% Decrease<br>(3.13%) | Current<br>Discount Rate<br>(4.13%) | 1% Increase<br>(5.13%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share<br>of the net OPEB liability | \$ 513,652             | \$ 382,613                          | \$ 279,050             |
|  |                        |                                     |                        |
|  | 1% Decrease            | Current<br>Trend Rate               | 1% Increase            |
| School District's proportionate share<br>of the net OPEB liability | \$ 265,823             | \$ 382,613                          | \$ 536,322             |

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees 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. Sick leave may be accumulated up to a maximum of one hundred eighty-five days for teachers and one hundred eighty days for classified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit up to a maximum of thirty days for all employees. Teachers receive an additional severance payment of up to thirty days for accumulated sick leave in excess of one-hundred eighty-five days.

**B. Employee Insurance Benefits**

The School District provides medical, dental, and vision insurance to all employees through the Hancock County Schools Health Benefit Fund. 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 12 - SET-ASIDES**

The School District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

|                                    | <u>Capital<br/>Improvements</u> |
|------------------------------------|---------------------------------|
| Set-aside balance June 30, 2017    | \$ -                            |
| Current year set-aside requirement | 37,080                          |
| Current year offsets               | <u>(37,080)</u>                 |
| Set-aside balance June 30, 2018    | <u><u>\$ -</u></u>              |

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2018.

**B. Litigation**

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

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time.

**NOTE 14 - COMMITMENTS**

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

| <u>Fund</u>                 | <u>Year-End<br/>Encumbrances</u> |
|-----------------------------|----------------------------------|
| General fund                | \$ 445,349                       |
| Other nonmajor governmental | <u>258,739</u>                   |
| Total                       | <u>\$ 704,088</u>                |



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**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Required by *Government Auditing Standards***

Vanlue Local School District  
Hancock County  
301 South East Street, P.O. Box 250  
Vanlue, Ohio 45890-0250

Members of the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vanlue Local School District, Hancock County, (the School District) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 24, 2019, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

***Internal Control over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

***Purpose of this Report***

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

*BHM CPA Group*

BHM CPA Group Inc.  
Piketon, Ohio  
October 24, 2019

**Vanlue Local School District  
Hancock County**

**Schedule of Findings  
June 30, 2019 and 2018**

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

**FINDING NUMBER 2019-001**

**Noncompliance Citation**

**Ohio Revised Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports.

If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to file annual financial reports which are prepared using generally accepted accounting principles. However, the District prepared its financial statements in accordance with the cash accounting basis which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and note omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

The District should prepare its statement in accordance with accounting principles generally accepted in the United State of America.

**Vanlue Local School District  
Hancock County  
Schedule of Prior Audit Findings  
June 30, 2019 and 2018**

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| <b>Finding Number</b> | <b>Finding Summary</b>  | <b>Fully Corrected?</b> | <b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b> |
|-----------------------|---|-------------------------|--|
| 2017-001              | Material Non-Compliance: OAC 117-2-03(B) – failed to prepare financial statement using generally accepted accounting principals | No                      | Not Corrected. Reissued as finding 2019-001  |



OHIO AUDITOR OF STATE  
**KEITH FABER**



**VANLUE 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 3, 2020**