



**Auditor of State  
Betty Montgomery**



Van Buren Local School District  
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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County (the District), as of and for the year ended June 30 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, as of June 30 2004, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

March 15, 2005

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

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The discussion and analysis of Van Buren Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. 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 basic financial statements and notes to enhance their understanding of the School District's financial performance.

### **Highlights**

Key highlights for fiscal year 2004 were as follows:

Net assets for governmental activities decreased \$450,176, or approximately 8 percent. Expenses exceeded revenues for the third fiscal year and unfortunately, this deficit spending was greater than that of the prior fiscal year. Continued spending of cash carryover amounts has been a necessity. Net assets for business-type activities increased \$991, or approximately 2 percent. This change was not significant.

General revenues were \$7,712,314, or 88 percent of all governmental activities revenues. There was an even greater reliance on general revenues in fiscal year 2004 than in the prior fiscal year. This continues to demonstrate the School District's significant dependence on property taxes.

Fiscal year 2004 was a very active year as the School District completed a \$12 million facility expansion project. This project included the addition of twenty-five classrooms, a gymnasium, and cafeteria at the elementary school. The high school also added classrooms (two science, an art, a band, and a choir classroom), as well as a vocational agriculture facility. In addition, the high school project included a new eight hundred seat auditorium and central office complex. Finally, the science classroom was renovated at the middle school.

The School District renewed a 4.5 mill five-year operating levy and a 1.5 mill five-year permanent improvement levy in March 2004. These levies will generate approximately \$900,000/year for the General Fund and approximately \$300,000/year for the Permanent Improvement Fund. Approximately 66 percent of the School District's registered voters voted in favor of these renewal levies.

The School District continues to be a member of the Hancock County Schools Insurance Consortium Group Health Plan, which is a risk sharing insurance pool. During fiscal year 2004, the pool increased the base health insurance rates by 10 percent (rates also increased by 10 percent in fiscal year 2003). As a result of the current increase, the Board of Education's share for monthly premiums for health insurance increased from \$40,500/month to \$45,600/month.

### **Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Van Buren Local School District as a financial whole, or as an entire operating entity.

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Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
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The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

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

### **Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes 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, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the School District discloses two types of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Uniform School Supplies and Adult Education funds are reported as business-type activities.

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

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

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide

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Management's Discussion and Analysis  
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a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Enterprise Funds - Enterprise funds use the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

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 on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2004 compared to fiscal year 2003:

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<u>Assets</u>						
Current and Other Assets	\$9,100,883	\$12,512,883	\$49,402	\$47,406	\$9,150,285	\$12,560,289
Capital Assets, Net	14,875,921	12,238,050	0	0	14,875,921	12,238,050
Total Assets	<u>23,976,804</u>	<u>24,750,933</u>	<u>49,402</u>	<u>47,406</u>	<u>24,026,206</u>	<u>24,798,339</u>
<u>Liabilities</u>						
Current and Other Liabilities	7,536,757	8,284,179	1,005	0	7,537,762	8,284,179
Long-Term Liabilities	11,272,330	11,552,188	0	0	11,272,330	11,552,188
Total Liabilities	<u>18,809,087</u>	<u>19,836,367</u>	<u>1,005</u>	<u>0</u>	<u>18,810,092</u>	<u>19,836,367</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	4,200,921	1,223,050	0	0	4,200,921	1,223,050
Restricted	490,926	2,795,155	0	0	490,926	2,795,155
Unrestricted	475,870	896,361	48,397	47,406	524,267	943,767
Total Net Assets	<u>\$5,167,717</u>	<u>\$4,914,566</u>	<u>\$48,397</u>	<u>\$47,406</u>	<u>\$5,216,114</u>	<u>\$4,961,972</u>

While the change in total assets for governmental activities was only 3 percent, the fluctuations within the classifications noted above were substantial. Current and other assets had a considerable decrease as cash was spent to complete construction activities and make final retainage payments to contractors. These cash decreases correspond to the increase reflected in capital assets as well the increase in invested in capital assets. Additional cash decreases occurred from further spending of carryover balances.

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Completing construction during fiscal year 2004 resulted in a decrease in current and other liabilities as contract and retainage amounts at the end of the fiscal year were greatly reduced from the prior fiscal year.

The changes which occurred for business-type activities were not significant.

Table 2 reflects the changes in net assets from the prior fiscal year.

Table 2  
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<u>Revenues</u>						
Program Revenues						
Sales and Charges for Services	\$400,520	\$290,781	\$40,640	\$33,654	\$441,160	\$324,435
Operating Grants and Contributions	621,974	518,971	0	0	621,974	518,971
Capital Grants, Contributions, And Interest	12,625	229,932	0	0	12,625	229,932
<b>Total Program Revenues</b>	<b>1,035,119</b>	<b>1,039,684</b>	<b>40,640</b>	<b>33,654</b>	<b>1,075,759</b>	<b>1,073,338</b>
General Revenues						
Property Taxes	6,354,288	5,476,484	0	0	6,354,288	5,476,484
Payment in Lieu of Taxes	150,000	0	0	0	150,000	0
Grants and Entitlements not Restricted to Specific Programs	1,101,965	623,361	0	0	1,101,965	623,361
Interest	37,527	62,229	0	0	37,527	62,229
Gifts and Donations	14,807	14,850	0	0	14,807	14,850
Miscellaneous	53,727	28,285	0	0	53,727	28,285
<b>Total General Revenues</b>	<b>7,712,314</b>	<b>6,205,209</b>	<b>0</b>	<b>0</b>	<b>7,712,314</b>	<b>6,205,209</b>
<b>Total Revenues</b>	<b>8,747,433</b>	<b>7,244,893</b>	<b>40,640</b>	<b>33,654</b>	<b>8,788,073</b>	<b>7,278,547</b>
<u>Expenses</u>						
Instruction:						
Regular	4,199,218	3,080,767	0	0	4,199,218	3,080,767
Special	809,233	663,570	0	0	809,233	663,570
Vocational	175,285	167,155	0	0	175,285	167,155
Support Services:						
Pupils	187,213	170,015	0	0	187,213	170,015
Instructional Staff	320,503	243,328	0	0	320,503	243,328
Board of Education	74,193	60,965	0	0	74,193	60,965
Administration	652,776	602,864	0	0	652,776	602,864
Fiscal	307,845	267,854	0	0	307,845	267,854

(continued)

Van Buren Local School District  
Management's Discussion and Analysis  
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Table 2  
Changes in Net Assets  
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Operation and Maintenance of Plant	\$865,593	\$597,722	\$0	\$0	\$865,593	\$597,722
Pupil Transportation Central	453,413	453,117	0	0	453,413	453,117
Non-Instructional Services	19,635	21,505	0	0	19,635	21,505
Extracurricular Activities	311,629	187,209	0	0	311,629	187,209
Interest and Fiscal Charges	298,438	251,360	0	0	298,438	251,360
Uniform School Supplies	522,635	532,843	0	0	522,635	532,843
Total Expenses	0	0	39,649	29,310	39,649	29,310
Increase (Decrease) in Net Assets	<u>9,197,609</u>	<u>7,300,274</u>	<u>39,649</u>	<u>29,310</u>	<u>9,237,258</u>	<u>7,329,584</u>
	<u>(\$450,176)</u>	<u>(\$55,381)</u>	<u>\$991</u>	<u>\$4,344</u>	<u>(\$449,185)</u>	<u>(\$51,037)</u>

General revenues represent over 88 percent of the total revenues for governmental activities, and as noted in the above table, this is overwhelmingly made up of property taxes (82 percent of general revenues). Our School District is somewhat unique in that there is a very high property tax base resulting from a great deal of industry within the School District's boundaries. As a result, the School District receives very little in State foundation support for operations, less than 10 percent of total revenues received. Property taxes increased from the prior fiscal year for several reasons, increased real estate values, delinquent tax collections, and higher personal property taxes (In October 2001, Best Buy, Inc. overpaid their personal property taxes, therefore paid no personal property taxes in 2002. Assessments were restored in 2003.). One further tax related note, during fiscal year 2004, the School District received a one-time payment-in-lieu of taxes from Whirlpool Corporation, in the amount of \$150,000.

Program revenues were only 12 percent of total revenues for governmental activities. Sales and charges for services consist of tuition and fees, extracurricular activities/athletic event receipts, and cafeteria sales. The School District received additional fees for open enrollment and special education tuition in fiscal year 2004. Operating grants and contributions and capital grants and contributions reflected as program revenues are restricted intergovernmental resources which are directly associated with certain governmental activities, such as special education funding and food service subsidies, as well as resources restricted for capital acquisitions. Changes resulted from additional grant resources for Student Intervention, Title VI-B, and Title I grants. In the prior fiscal year, the School District received donations which were used to construct an eight lane all weather track.

Program expenses for instruction activities represent just over 56 percent of all governmental activities expenses. Combined with the support services related to instruction, such as pupils, instructional staff, operation and maintenance of plant, and pupil transportation, 76 percent of all of the School District's expenses are related to the functions of delivering education and maintaining facilities.

For business-type activities, primarily uniform school supplies (workbooks and other school supplies), 100 percent of the revenues generated are program revenues resulting from the sale of these materials.

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Management's Discussion and Analysis  
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Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the sales and charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported primarily from tax revenues.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
Instruction:				
Regular	\$4,199,218	\$3,080,767	\$3,984,161	\$2,932,555
Special	809,233	663,570	542,548	492,683
Vocational	175,285	167,155	174,700	167,155
Support Services:				
Pupils	187,213	170,015	182,213	165,015
Instructional Staff	320,503	243,328	320,503	243,328
Board of Education	74,193	60,965	74,193	60,965
Administration	652,776	602,864	652,776	602,864
Fiscal	307,845	267,854	307,845	267,854
Operation and Maintenance of Plant	865,593	597,722	859,109	476,779
Pupil Transportation	453,413	453,117	227,500	210,664
Central	19,635	21,505	19,635	21,505
Non-Instructional Services	311,629	187,209	130,395	16,448
Extracurricular Activities	298,438	251,360	164,277	69,932
Interest and Fiscal Charges	522,635	532,843	522,635	532,843
Total Expenses	<u>\$9,197,609</u>	<u>\$7,300,274</u>	<u>\$8,162,490</u>	<u>\$6,260,590</u>

As previously mentioned, general revenues funded a larger portion of operating costs in fiscal year 2004 but a review of the above table reveals a great deal of comparability between the two fiscal years. The table also demonstrates that only several of the School District's programs benefit significantly from program revenues. Program revenues, or grants for pupil transportation, offset approximately 50 percent of transportation costs. Program revenues offset the costs of non-instructional services, which are almost entirely cafeteria operations, by 58 percent. These revenues are made up lunch sales and federal and state subsidies for cafeteria operations. Over 45 percent of extracurricular activities costs are paid for through admission charges for athletic events as well as from music or drama productions.

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

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**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All three of the School District's major funds had sizable changes in their fund balance. The General Fund's change is the result of cash carryover spending. The Bond Retirement Fund is accumulating resources for the future payment of debt. For this fiscal year, the revenues from tax collections were greater than the debt service requirements. Of course with construction activities concluding on the School District's buildings, the fund balance in the Building Fund decreased significantly.

The School District's major enterprise fund, the Uniform School Supplies Fund, had a net income for the fiscal year of \$991.

**General Fund Budgeting Highlights**

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

During fiscal year 2004, the School District amended its General Fund budget as needed. There were only minor changes in budgeted revenues from the original to the final budget. Actual revenues were greater than estimates primarily from school bus monies received for a handicapped bus and the payment in lieu of taxes from Whirlpool Corporation.

Changes in budgeted and actual amounts for expenditures were minor.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2004, the School District had \$14,875,921 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of \$1,934,544. As noted earlier, the majority of this increase is the result of building construction. For further information regarding the School District's capital assets, refer to Note 8 to the basic financial statements.

**Debt**

At June 30, 2004, the School District had outstanding general obligation bonds, in the amount of \$10,777,818. These bonds will not be fully retired until fiscal year 2021. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 14 to the basic financial statements.

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

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**Current Issues**

Van Buren Local School District is a rural school district located in northern Hancock County. The School District serves just fewer than 1,000 students and employs sixty-three teachers. The School District has historically received less than 7 percent of its total operating revenue from the State foundation formula for school funding. Rather, the School District receives the majority of its funding from its local tax base, which has a present assessed valuation of \$208,792,028.

The School District has been deficit spending for the past three fiscal years. The Board of Education placed a 7.2 mill four-year emergency levy on the November 2004 ballot. This levy failed by a large margin. Because of the levy failure, a three stage series of budget cuts was enacted by the Board. The first stage took effect in January 2005. This stage involved reductions in the transportation and maintenance staffs and programs, along with reducing facility usage. Stage two is scheduled to be implemented in the summer of 2005 and involves the elimination of a part-time teaching position, elimination of a supervisor's position, and an adjustment in the responsibilities of one of the School District's technology coordinators. Stage three cuts involve further reductions in student transportation, elimination of extra-curricular activities, and reductions in the educational staff and programs. The width and depth of these cuts will be dependent upon the outcome of a 5.5 mill three-year emergency levy which will appear on the May 2005 ballot and the result of contract negotiations which are scheduled in the spring of 2005 with both the certified and classified staff.

Historically, 25 to 30 percent of the School District's total revenue has come from tangible personal property tax. The School District is quite concerned about the Governor's proposed plan to eliminate this tax. In addition, there is concern about the frequency of tax increment financing (TIF) and tax abatements which are occurring in the School District. On the positive side, the School District should begin receiving additional revenue from two TIFs as the Governor's proposed elimination of replacement monies for the tangible personal property tax begins to take effect in 2011.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jan August, Treasurer, Van Buren Local School District, 217 South Main Street, Van Buren, Ohio 45889.

Van Buren Local School District  
Statement of Net Assets  
June 30, 2004

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,964,829	\$45,744	\$2,010,573
Cash and Cash Equivalents with Fiscal Agents	16,820	0	16,820
Cash and Cash Equivalents with Escrow Agent	10,846	0	10,846
Accounts Receivable	2,971	676	3,647
Intergovernmental Receivable	31,596	0	31,596
Prepaid Items	54,613	0	54,613
Inventory Held for Resale	3,371	2,982	6,353
Materials and Supplies Inventory	7,973	0	7,973
Property Taxes Receivable	7,007,864	0	7,007,864
Nondepreciable Capital Assets	233,583	0	233,583
Depreciable Capital Assets, Net	14,642,338	0	14,642,338
Total Assets	<u>23,976,804</u>	<u>49,402</u>	<u>24,026,206</u>
<u>Liabilities:</u>			
Accounts Payable	37,683	1,005	38,688
Contracts Payable	7,500	0	7,500
Accrued Wages and Benefits Payable	577,836	0	577,836
Intergovernmental Payable	209,066	0	209,066
Retainage Payable	10,846	0	10,846
Matured Bonds Payable	3,000	0	3,000
Matured Interest Payable	1,653	0	1,653
Deferred Revenue	6,649,651	0	6,649,651
Accrued Interest Payable	39,522	0	39,522
Long-Term Liabilities:			
Due Within One Year	433,049	0	433,049
Due in More Than One Year	10,839,281	0	10,839,281
Total Liabilities	<u>18,809,087</u>	<u>1,005</u>	<u>18,810,092</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	4,200,921	0	4,200,921
Restricted For:			
Debt Service	111,138	0	111,138
Capital Projects	169,212	0	169,212
Setasides	134,930	0	134,930
Other Purposes	75,646	0	75,646
Unrestricted	475,870	48,397	524,267
Total Net Assets	<u>\$5,167,717</u>	<u>\$48,397</u>	<u>\$5,216,114</u>

See Accompanying Notes to Basic Financial Statements

Van Buren Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2004

	Program Revenues			
	Expenses	Sales and Charges for Services	Operating Grants and Contributions	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$4,199,218	\$139,502	\$75,555	\$0
Special	809,233	10,000	256,685	0
Vocational	175,285	0	585	0
Support Services:				
Pupils	187,213	0	5,000	0
Instructional Staff	320,503	0	0	0
Board of Education	74,193	0	0	0
Administration	652,776	0	0	0
Fiscal	307,845	0	0	0
Operation and Maintenance of Plant	865,593	0	0	6,484
Pupil Transportation	453,413	0	219,772	6,141
Central	19,635	0	0	0
Non-Instructional Services	311,629	131,758	49,476	0
Extracurricular Activities	298,438	119,260	14,901	0
Interest and Fiscal Charges	522,635	0	0	0
Total Governmental Activities	<u>9,197,609</u>	<u>400,520</u>	<u>621,974</u>	<u>12,625</u>
<u>Business-Type Activity:</u>				
Uniform School Supplies	39,649	40,640	0	0
Total	<u>\$9,237,258</u>	<u>\$441,160</u>	<u>\$621,974</u>	<u>\$12,625</u>

General Revenues:

Property Taxes Levied for General Purposes  
Property Taxes Levied for Debt Service  
Property Taxes Levied for Permanent Improvements  
Payment in Lieu of Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Interest  
Gifts and Donations  
Miscellaneous  
Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year - Restated (Note 3)  
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue  
and Change in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$3,984,161)	\$0	(\$3,984,161)
(542,548)	0	(542,548)
(174,700)	0	(174,700)
(182,213)	0	(182,213)
(320,503)	0	(320,503)
(74,193)	0	(74,193)
(652,776)	0	(652,776)
(307,845)	0	(307,845)
(859,109)	0	(859,109)
(227,500)	0	(227,500)
(19,635)	0	(19,635)
(130,395)	0	(130,395)
(164,277)	0	(164,277)
(522,635)	0	(522,635)
<u>(8,162,490)</u>	<u>0</u>	<u>(8,162,490)</u>
0	991	991
<u>(8,162,490)</u>	<u>991</u>	<u>(8,161,499)</u>
5,175,323	0	5,175,323
896,394	0	896,394
282,571	0	282,571
150,000	0	150,000
1,101,965	0	1,101,965
37,527	0	37,527
14,807	0	14,807
53,727	0	53,727
<u>7,712,314</u>	<u>0</u>	<u>7,712,314</u>
(450,176)	991	(449,185)
5,617,893	47,406	5,665,299
<u>\$5,167,717</u>	<u>\$48,397</u>	<u>\$5,216,114</u>

Van Buren Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2004

	General	Bond Retirement	Building	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$1,320,285	\$93,902	\$17,949	\$391,622	\$1,823,758
Cash and Cash Equivalents					
with Fiscal Agents	0	4,653	0	12,167	16,820
Accounts Receivable	2,113	0	0	858	2,971
Intergovernmental Receivable	11,000	0	0	20,596	31,596
Prepaid Items	53,028	0	0	1,585	54,613
Inventory Held for Resale	0	0	0	3,371	3,371
Materials and Supplies Inventory	7,914	0	0	59	7,973
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	141,071	0	0	0	141,071
Cash and Cash Equivalents with Escrow Agent	0	0	0	10,846	10,846
Property Taxes Receivable	5,723,735	976,292	0	307,837	7,007,864
Total Assets	<u>\$7,259,146</u>	<u>\$1,074,847</u>	<u>\$17,949</u>	<u>\$748,941</u>	<u>\$9,100,883</u>
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities</u>					
Accounts Payable	\$29,418	\$0	\$0	\$8,265	\$37,683
Contracts Payable	150	0	5,000	2,350	7,500
Accrued Wages and Benefits Payable	561,137	0	0	16,699	577,836
Intergovernmental Payable	148,088	0	0	2,035	150,123
Matured Bonds Payable	0	3,000	0	0	3,000
Matured Interest Payable	0	1,653	0	0	1,653
Payable from Restricted Assets:					
Retainage Payable	0	0	0	10,846	10,846
Deferred Revenue	5,482,977	924,911	0	294,119	6,702,007
Total Liabilities	<u>6,221,770</u>	<u>929,564</u>	<u>5,000</u>	<u>334,314</u>	<u>7,490,648</u>
<u>Fund Balances:</u>					
Reserved for Property Taxes	252,668	51,381	0	15,951	320,000
Reserved for Textbooks	134,930	0	0	0	134,930
Reserved for Encumbrances	70,808	0	10,394	76,205	157,407
Unreserved, Designated Reported in:					
Special Revenue Fund	0	0	0	165,339	165,339
Unreserved, Undesignated Reported in:					
General Fund	578,970	0	0	0	578,970
Special Revenue Funds	0	0	0	71,934	71,934
Debt Service Fund	0	93,902	0	0	93,902
Capital Projects Funds	0	0	2,555	85,198	87,753
Total Fund Balances	<u>1,037,376</u>	<u>145,283</u>	<u>12,949</u>	<u>414,627</u>	<u>1,610,235</u>
Total Liabilities and Fund Balances	<u>\$7,259,146</u>	<u>\$1,074,847</u>	<u>\$17,949</u>	<u>\$748,941</u>	<u>\$9,100,883</u>

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
 Reconciliation of Total Governmental Fund Balances  
 to Net Assets of Governmental Activities  
 June 30, 2004

Total Governmental Fund Balances		\$1,610,235
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		14,875,921
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	1,910	
Intergovernmental Receivable	12,233	
Property Taxes Receivable	38,213	
		52,356
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds.		(58,943)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(39,522)	
General Obligation Bonds Payable	(10,777,818)	
Compensated Absences Payable	(494,512)	
		(11,311,852)
Net Assets of Governmental Activities		\$5,167,717

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004

	General	Bond Retirement	Building	Other Governmental	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$5,160,775	\$893,875	\$0	\$281,780	\$6,336,430
Payment in Lieu of Taxes	150,000	0	0	0	150,000
Intergovernmental	1,245,588	75,988	0	391,370	1,712,946
Interest	37,527	0	6,484	0	44,011
Tuition and Fees	161,675	0	0	0	161,675
Extracurricular Activities	20,781	0	0	98,479	119,260
Charges for Services	0	0	0	131,758	131,758
Gifts and Donations	15,300	0	0	14,408	29,708
Miscellaneous	44,608	0	4,854	2,355	51,817
Total Revenues	<u>6,836,254</u>	<u>969,863</u>	<u>11,338</u>	<u>920,150</u>	<u>8,737,605</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	3,458,112	0	0	112,498	3,570,610
Special	549,465	0	0	149,237	698,702
Vocational	169,351	0	0	0	169,351
Support Services:					
Pupils	157,930	0	0	28,121	186,051
Instructional Staff	261,905	0	0	49,498	311,403
Board of Education	74,193	0	0	0	74,193
Administration	630,720	0	0	7,112	637,832
Fiscal	274,335	19,821	0	8,905	303,061
Operation and Maintenance of Plant	823,057	0	0	34,243	857,300
Pupil Transportation	450,881	0	0	0	450,881
Central	15,173	0	0	4,464	19,637
Non-Instructional Services	0	0	0	208,075	208,075
Extracurricular Activities	163,203	0	0	120,132	283,335
Capital Outlay	154,949	0	2,295,066	354,786	2,804,801
Debt Service:					
Principal Retirement	0	340,000	0	0	340,000
Interest and Fiscal Charges	0	504,235	0	0	504,235
Total Expenditures	<u>7,183,274</u>	<u>864,056</u>	<u>2,295,066</u>	<u>1,077,071</u>	<u>11,419,467</u>
Excess of Revenues Over (Under) Expenditures	<u>(347,020)</u>	<u>105,807</u>	<u>(2,283,728)</u>	<u>(156,921)</u>	<u>(2,681,862)</u>
<u>Other Financing Sources (Uses):</u>					
Sale of Capital Assets	947	0	0	0	947
Transfers In	0	0	0	66,826	66,826
Transfers Out	<u>(66,826)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(66,826)</u>
Total Other Financing Sources (Uses)	<u>(65,879)</u>	<u>0</u>	<u>0</u>	<u>66,826</u>	<u>947</u>
Changes in Fund Balances	(412,899)	105,807	(2,283,728)	(90,095)	(2,680,915)
Fund Balances at Beginning of Year	<u>1,450,275</u>	<u>39,476</u>	<u>2,296,677</u>	<u>504,722</u>	<u>4,291,150</u>
Fund Balances at End of Year	<u>\$1,037,376</u>	<u>\$145,283</u>	<u>\$12,949</u>	<u>\$414,627</u>	<u>\$1,610,235</u>

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
 of Governmental Funds to Statement of Activities  
 For the Fiscal Year Ended June 30, 2004

Changes in Fund Balances - Total Governmental Funds (\$2,680,915)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year:

Capital Outlay - Construction in Progress	1,677,278	
Capital Outlay - Depreciable Capital Assets	566,551	
Depreciation	(305,866)	1,937,963

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the book value of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(947)	
Loss on Disposal of Capital Assets	(2,472)	(3,419)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	17,858	
Intergovernmental	2,233	
Tuition and Fees	(12,173)	
Miscellaneous	1,910	9,828

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 340,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

Annual Accretion	(19,481)	
Accrued Interest Payable	1,081	(18,400)

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	5,428	
Compensated Absences Payable	(40,661)	(35,233)

Change in Net Assets of Governmental Activities (\$450,176)

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
Statement of Revenues, Expenditures, and Change in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$5,248,931	\$5,165,298	\$5,052,709	(\$112,589)
Payment in Lieu of Taxes	0	0	150,000	150,000
Intergovernmental	874,612	874,612	1,245,318	370,706
Interest	65,000	65,000	37,527	(27,473)
Tuition and Fees	23,000	23,000	161,675	138,675
Extracurricular Activities	18,000	20,000	20,781	781
Gifts and Donations	7,000	7,000	15,300	8,300
Miscellaneous	24,000	24,000	42,460	18,460
Total Revenues	<u>6,260,543</u>	<u>6,178,910</u>	<u>6,725,770</u>	<u>546,860</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,755,834	3,577,315	3,463,451	113,864
Special	587,690	587,760	541,634	46,126
Vocational	201,387	186,387	144,488	41,899
Support Services:				
Pupils	158,687	165,787	162,790	2,997
Instructional Staff	213,548	276,548	258,733	17,815
Board of Education	90,170	90,170	79,650	10,520
Administration	648,220	644,199	628,113	16,086
Fiscal	312,587	313,587	276,970	36,617
Operation and Maintenance of Plant	722,508	867,708	863,490	4,218
Pupil Transportation	571,780	541,280	495,502	45,778
Central	16,500	16,500	15,173	1,327
Extracurricular Activities	178,409	178,409	165,747	12,662
Capital Outlay	230,337	235,356	235,356	0
Total Expenditures	<u>7,687,657</u>	<u>7,681,006</u>	<u>7,331,097</u>	<u>349,909</u>
Excess of Revenues				
Under Expenditures	<u>(1,427,114)</u>	<u>(1,502,096)</u>	<u>(605,327)</u>	<u>896,769</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	1,000	1,000	947	(53)
Refund of Prior Year Expenditures	1,000	1,000	1,527	527
Refund of Prior Year Receipts	0	(1,750)	(1,732)	18
Advances In	0	0	32,171	32,171
Advances Out	0	0	(32,171)	(32,171)
Transfers Out	(60,000)	(67,000)	(66,826)	174
Total Other Financing Sources (Uses)	<u>(58,000)</u>	<u>(66,750)</u>	<u>(66,084)</u>	<u>666</u>
Change in Fund Balance	(1,485,114)	(1,568,846)	(671,411)	897,435
Fund Balance at Beginning of Year	1,543,216	1,543,216	1,543,216	0
Prior Year Encumbrances Appropriated	470,953	470,953	470,953	0
Fund Balance at End of Year	<u>\$529,055</u>	<u>\$445,323</u>	<u>\$1,342,758</u>	<u>\$897,435</u>

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
Statement of Fund Net Assets  
Enterprise Funds  
June 30, 2004

	Uniform School Supplies	Other Enterprise	Total Enterprise Funds
<u>Assets:</u>			
<u>Current Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$45,412	\$332	\$45,744
Accounts Receivable	676	0	676
Inventory Held for Resale	2,982	0	2,982
Total Assets	49,070	332	49,402
 <u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	1,005	0	1,005
 <u>Net Assets:</u>			
Unrestricted	\$48,065	\$332	\$48,397

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Enterprise Funds  
For the Fiscal Year Ended June 30, 2004

	Uniform School Supplies	Other Enterprise	Total Enterprise Funds
<u>Operating Revenues:</u>			
Sales	\$40,640	\$0	\$40,640
<u>Operating Expenses:</u>			
Cost of Sales	39,649	0	39,649
Net Income	991	0	991
Net Assets at Beginning of Year	47,074	332	47,406
Net Assets at End of Year	\$48,065	\$332	\$48,397

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
Statement of Cash Flows  
Enterprise Funds  
For the Fiscal Year Ended June 30, 2004

	Uniform School Supplies	Other Enterprise	Total Enterprise Funds
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$41,330	\$0	\$41,330
Cash Payments to Suppliers	(33,690)	0	(33,690)
Net Increase in Cash and Cash Equivalents	7,640	0	7,640
Cash and Cash Equivalents at Beginning of Year	37,772	332	38,104
Cash and Cash Equivalents at End of Year	\$45,412	\$332	\$45,744
<u>Reconciliation of Net Income</u>			
<u>to Net Cash Provided by Operating Activities:</u>			
Net Income	\$991	\$0	\$991
<u>Adjustments to Reconcile Net Income</u>			
<u>to Net Cash Provided by Operating Activities:</u>			
<u>Changes in Assets and Liabilities:</u>			
Decrease in Accounts Receivable	690	0	690
Decrease in Inventory Held for Resale	4,954	0	4,954
Increase in Accounts Payable	1,005	0	1,005
Net Cash Provided by Operating Activities	\$7,640	\$0	\$7,640

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2004

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$22,815</u></u>
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Liabilities:

Due to Students	<u><u>\$22,815</u></u>
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See Accompanying Notes to the Basic Financial Statements

**Note 1 - Description of the School District and Reporting Entity**

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

The School District was established in 1936 through the consolidation of existing land areas. The School District serves an area of approximately forty-eight square miles. It is located in Hancock County and includes all of the Village of Van Buren and Allen Township and portions of Case, Marion, and Portage Townships. The School District is the 502nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty classified employees, sixty-three certified teaching personnel, and five administrative employees who provide services to nine hundred sixty-two students and other community members. The School District currently operates an elementary school and a middle/high school.

**Reporting Entity**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the 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 Van Buren Local School District.

The School District participates in five jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Cooperative Vocational Career Center, Northwestern Ohio Educational Research Council, Inc., West Central Regional Professional Development Center, Northwest Ohio Special Education Regional Resource Center, Hancock County Schools Insurance Consortium Group Health Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The basic financial statements of Van Buren Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The School District does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its business-type activities or to its enterprise funds. 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 assets 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 assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the School District.

**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 and enterprise 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 reported in three categories: governmental, proprietary, and fiduciary.

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's three major governmental funds are the General Fund, the Bond Retirement debt service fund, and the Building capital projects fund.

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for and the payment of principal and interest on general obligation bonds.

Building Fund - The Building Fund is used to account for the construction of additions at the high school and a new elementary school.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise fund is the Uniform School Supplies Fund.

Uniform School Supplies Fund - The Uniform School Supplies Fund is used to account for the purchase and sale of school supplies.

The other enterprise fund of the School District accounts for the activities of Adult Education.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2004. 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. Measurement Focus**

#### **Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

#### **Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its enterprise funds.

### **D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; enterprise funds and the agency fund use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

#### **Revenues - Exchange and Nonexchange Transactions**

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been

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satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

#### Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

#### Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

#### **E. 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 control selected by the Board is at the function level within the General Fund and at the fund level for all other funds. Budgetary allocations at the object level in the General Fund, and the function and object level within all other funds are made by the School District Treasurer.

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

#### **F. 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".

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

Cash and cash equivalents that are held separately for the School District by an escrow agent for the payment of retainage on construction contracts are recorded as "Cash and Cash Equivalents with Escrow Agent".

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2004, was \$37,527, which includes \$8,941 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.

#### **G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

#### **H. Inventory**

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies, custodial supplies, donated and purchased food, and workbooks.

#### **I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets represent amounts

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required by State statute to be set aside for the purchase of textbooks and other instructional materials as well as unexpended revenues restricted for bus purchases.

Restricted assets in the Permanent Improvement capital projects fund represent escrow accounts established for the payment of retainage on construction projects upon completion.

**J. Capital Assets**

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of two thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	10 - 30 years
Buildings and Building Improvements	6 - 107 years
Furniture, Fixtures, and Equipment	5 - 25 years
Vehicles	5 - 12 years

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

#### **M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their 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 assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

#### **N. Fund Balance Reserves and Designations**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation within the special revenue fund represents monies set aside by the Board for the future payment of termination benefits.

#### **O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the School District, these revenues are sales and charges for services for uniform school supplies and adult education. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise funds. All revenues and expenses not meeting this definition are reported as non-operating.

**P. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. Transfers within governmental activities and within business-type activities are eliminated on the government-wide financial statements.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 and after nonoperating revenues/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

**R. Estimates**

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

**Note 3 - Correction of an Error, Restatement of Net Assets, and Change in Accounting Principles**

In the prior fiscal year, the School District incorrectly recorded capital assets for governmental activities. As a result of these corrections, capital assets decreased \$41,759 from \$15,213,038 to \$15,171,279, and accumulated depreciation decreased \$745,086 from \$2,974,988 to \$2,229,902. As a result of the restatement, net assets of governmental activities as previously reported as of June 30, 2003, increased \$703,327, from \$4,914,566 to \$5,617,893.

For fiscal year 2004, the School District has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units." GASB Statement No. 39 establishes additional guidance on the application of existing standards for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the primary government. The implementation of this statement did not result in any change to the School District's financial statements.

**Note 4 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Change in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a

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meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Change in Fund Balance	
GAAP Basis	(\$412,899)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2003, Received in Cash FY 2004	144,914
Accrued FY 2004, Not Yet Received in Cash	(253,871)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(763,973)
Accrued FY 2004, Not Yet Paid in Cash	738,793
Prepaid Items	(5,233)
Materials and Supplies Inventory	(\$544)
Advances In	32,171
Advances Out	(32,171)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(118,598)
Budget Basis	(\$671,411)

**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.

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

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Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$100 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

At fiscal year end, the School District had \$12,167 in cash and cash equivalents held by the Hancock County Educational Service Center, which is presented as "Cash and Cash Equivalents with Fiscal Agents". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

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

At fiscal year end, the carrying amount of the School District's deposits was \$2,048,787 and the bank balance was \$2,166,923. Of the bank balance, \$114,076 was covered by federal depository insurance and \$2,052,847 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

	Cash and Cash Equivalents/ Deposits
GASB Statement No. 9	\$2,061,054
Cash on Hand	(100)
Cash and Cash Equivalents with Educational Service Center	(12,167)
GASB Statement No. 3	\$2,048,787

**Note 6 - Receivables**

Receivables at June 30, 2004, consisted of accounts (student fees and billings for user charged services), intergovernmental, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

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	Amount
Governmental Activities	
General Fund	
State of Ohio	\$613
MH Units	36
Hancock County	351
Various School Districts	10,000
Total General Fund	11,000
Other Governmental Funds	
Food Service	3,763
District Managed Student Activities	623
Student Intervention	1,175
Title I	10,518
Title V	50
Title II-A	3,562
Title II-D	905
Total Governmental Activities	\$31,596

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, 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 2004 represent the collection of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien on December 31, 2002, were levied after April 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible

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personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2004, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$252,668 in the General Fund, \$51,381 in the Bond Retirement debt service fund, and \$15,951 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2003, was \$144,602 in the General Fund, \$29,256 in the Bond Retirement debt service fund, and \$9,143 in the Permanent Improvement capital projects fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

The assessed values upon which fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$83,405,370	40.40%	\$88,558,120	42.42%
Industrial/Commercial	47,252,540	22.89	50,259,200	24.07
Public Utility	7,519,370	3.64	7,580,800	3.63
Tangible Personal	68,265,706	33.07	62,393,908	29.88
Total Assessed Value	<u>\$206,442,986</u>	<u>100.00%</u>	<u>\$208,792,028</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.50		\$37.50	

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

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	Restated Balance at 6/30/03	Additions	Reductions	Balance at 6/30/04
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$154,779	\$0	\$0	\$154,779
Construction in Progress	10,536,203	1,677,278	(12,134,677)	78,804
Total Nondepreciable Capital Assets	<u>10,690,982</u>	<u>1,677,278</u>	<u>(12,134,677)</u>	<u>233,583</u>
Depreciable Capital Assets				
Land Improvements	199,630	10,370	0	210,000
Buildings and Building Improvements	2,647,901	12,279,642	0	14,927,543
Furniture, Fixtures, and Equipment	805,820	331,470	(40,244)	1,097,046
Vehicles	826,946	79,746	(50,700)	855,992
Total Depreciable Capital Assets	<u>4,480,297</u>	<u>12,701,228</u>	<u>(90,944)</u>	<u>17,090,581</u>
Less Accumulated Depreciation				
Land Improvements	(\$50,073)	(\$10,946)	\$0	(\$61,019)
Buildings and Building Improvements	(1,175,950)	(155,222)	0	(1,331,172)
Furniture, Fixtures, and Equipment	(454,397)	(82,431)	36,825	(500,003)
Vehicles	(549,482)	(57,267)	50,700	(556,049)
Total Accumulated Depreciation	<u>(2,229,902)</u>	<u>(305,866)</u>	<u>87,525</u>	<u>(2,448,243)</u>
Depreciable Capital Assets, Net	<u>2,250,395</u>	<u>12,395,362</u>	<u>(3,419)</u>	<u>14,642,338</u>
Governmental Activities				
Capital Assets, Net	<u>\$12,941,377</u>	<u>\$14,072,640</u>	<u>(\$12,138,096)</u>	<u>\$14,875,921</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$131,795
Special	9,805
Vocational	5,934
Support Services:	
Pupils	1,162
Instructional Staff	4,193
Administration	14,566
Fiscal	2,821
Operation and Maintenance of Plant	18,171
Pupil Transportation	64,594
Non-Instructional Services	24,253
Extracurricular Activities	28,572
Total Depreciation Expense	<u>\$305,866</u>

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**Note 9 - 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 2004, the School District contracted for the following insurance coverage:

Coverage provided by Mid-American Fire and Casualty  
is as follows:

General School District Liability

Per Occurrence	\$1,000,000
Aggregate	2,000,000
Building and Contents	26,900,916

Coverage provided by Midwestern Indemnity Company  
is as follows:

Umbrella Liability Insurance	4,000,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

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

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

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. 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 insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Note 10 - Contractual Commitments**

As of June 30, 2004, the School District had contractual commitments as follows:

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Company	Project	Amount Remaining on Contract
Little & Son Asphalt	Running Track	\$14,608
Buehrer Group, Inc.	Elementary School	15,394

**Note 11 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2004, 2003, and 2002 was \$414,985, \$378,580 and \$263,951, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002.

Contributions for the DCP and CP for the fiscal year ended June 30, 2003, were \$3,062 made by the School District and \$10,825 made by plan members.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 9.09 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 was \$86,614, \$63,589 and \$41,406, respectively; 50 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2004, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 12 - Postemployment Benefits**

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$32,157.

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$61,392 for fiscal year 2004.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**Note 13 - 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 year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. The following table identifies the maximum amount of sick leave days that may be accumulated and the maximum days paid upon retirement.

	<u>Sick Days Accumulated</u>	<u>Sick Days Paid Upon Retirement</u>
Administrators	240	60
Certified Employees	240	60
Classified Employees	unlimited	53

**B. Health Care Benefits**

The School District provides medical, dental, vision, and life insurance to all employees through the Hancock County Schools Insurance Consortium Group Health Plan. Depending upon the plan chosen,

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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 14 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Balance at 6/30/03	Additions	Reductions	Balance at 6/30/04	Amounts Due Within One Year
General Obligation Bonds					
2001 School Facilities					
Construction and Improvement					
Serial Bonds 3.3 - 4.45%	\$4,435,000	\$0	\$340,000	\$4,095,000	\$365,000
Term Bonds 5 - 5.25%	6,240,000	0	0	6,240,000	0
Capital Appreciation Bonds 5.94%	340,000	0	0	340,000	0
Accretion on Capital Appreciation Bonds	83,337	19,481	0	102,818	0
Total 2001 School Facilities					
Construction and Improvement	11,098,337	19,481	340,000	10,777,818	365,000
Compensated Absences Payable	453,851	61,768	21,107	494,512	68,049
Total Governmental Activities Long-Term Liabilities	<u>\$11,552,188</u>	<u>\$81,249</u>	<u>\$361,107</u>	<u>\$11,272,330</u>	<u>\$433,049</u>

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

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

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

The terms bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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redemption date. The mandatory redemption is to occur on December 1 in each of the years according to the following schedule:

Year	Amount
2017	\$795,000
2018	835,000
2019	880,000

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

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

The capital appreciation bonds are not subject to redemption prior to maturity. The capital appreciation bonds will mature on December 1, 2009, in the amount of \$565,000. For fiscal year 2004, \$19,481 was accreted on the capital appreciation bonds for a total outstanding bond value of the capital appreciation bonds of \$442,818 at fiscal year end.

Compensated absences will be paid from the Termination Benefits special revenue fund.

The School District's overall debt margin was \$8,261,566 with an unvoted debt margin of \$208,792 at June 30, 2004.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2004, were as follows:

Fiscal Year	General Obligation Bonds				
Ending June 30,	Serial	Term	Capital	Interest	Total
2005	\$365,000	\$0	\$0	\$497,435	\$862,435
2006	445,000	0	0	482,835	927,835
2007	475,000	0	0	465,035	940,035
2008	495,000	0	0	446,035	941,035
2009	540,000	0	0	426,235	966,235
2010-2014	1,775,000	650,000	340,000	2,155,196	4,920,196
2015-2019	0	3,790,000		1,048,225	4,838,225
2020-2021	0	1,800,000	0	136,000	1,936,000
	\$4,095,000	\$6,240,000	\$340,000	\$5,656,996	\$16,331,996

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**Note 15 - Set Asides**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2004.

	Textbooks	Capital Improvements
Balance June 30, 2003	\$107,230	\$0
Current Year Set Aside Requirement	131,634	131,634
Current Year Offsets	0	(131,634)
Qualifying Expenditures	(103,934)	0
Reserve Balance June 30, 2004	\$134,930	\$0

**Note 16 - Interfund Transfers**

During fiscal year 2004, the General Fund made transfers to other governmental funds, in the amount of \$66,826, to set aside resources for the future payment of termination benefits and to subsidize the operation of the Food Service special revenue fund.

**Note 17 - Jointly Governed Organizations**

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

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2004, the School District paid \$13,538 to NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

**B. Millstream Cooperative Vocational Career Center**

The Millstream Cooperative Vocational Career Center (Career Center) is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Career Center provides vocational instruction to students. The Career Center operates under the direction of an

Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Treasurers from the Hancock and Putnam County Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District, Pam Barber, who serves as treasurer, 227 South West Street, Findlay, Ohio 45840-3377.

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

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools, and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**D. West Central Regional Professional Development Center**

The West Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Sandy Knudson, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**E. Northwest Ohio Special Education Regional Resource Center**

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to provide services to families, educators, and agencies regarding educational law and curriculum and instruction for students with disabilities. The Northwest Ohio SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating School Districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of MR/DD, one representative from a chartered non-public school, one representative from the University of Toledo, one representative from Bowling Green State University, one representative from a community school, and any other representatives from other agencies as designated by the Governing Board or the Ohio Department of Education. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Dave Michel, Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

**Note 18 - Insurance Pools**

**A. Hancock County Schools Insurance Consortium Group Health Plan**

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

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Aaron Moore, Sky Insurance, P.O. Box 10079, 1695 Indian Wood Circle, Maumee, OH 43537.

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

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

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

**Note 19 - State School Funding Decision**

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

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

**Note 20 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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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, 2004.

**B. Litigation**

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

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**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated March 15, 2005.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be

reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

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

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

**Betty Montgomery**  
Auditor of State

March 15, 2005

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

**FINDING NUMBER 2004-001**

**Reportable Condition - Athletic Ticket Sales**

For athletic ticket sales:

- Season passes are not pre-numbered;
- Various fees charged for season passes are not Board approved;
- Complimentary passes were issued with no criteria as to who was to receive them and no listing was maintained of who received these tickets;
- Tickets were not issued for some games;
- Based on discussions with the athletic director, tickets are recorded on accountability reports to match the money deposited, rather than based on the actual tickets sold;
- Different tickets, than what were sold at football games, were used to complete the accountability sheets;
- There were gaps in the ticket numbers issued with no explanation as to what happened to the missing tickets, and;
- The master seating chart did not indicate what type of tickets were issued (i.e. season pass, all sports pass, complimentary, etc).

These weaknesses could allow errors or irregularities to occur and not be detected during the normal course of operations. To strengthen controls and accountability over athletic ticket sales, we recommend the following:

- All passes be pre-numbered. With a listing maintained of the each season pass sold, including name, ticket number, seat number, and the amount paid. This list should also include complimentary passes/tickets provided to District employees.
- Fees charged for passes and a policy for issuing complimentary passes are approved by the Board of Education.
- At the end of each sales period the number of tickets sold should be reconciled to the amount of money deposited with the Treasurer and the number of unsold tickets.
- Tickets or some method of accounting for admissions should be used for all events, accountability sheets should indicate the actual tickets issued and amount of cash received, the accountability sheets should list all overages and shortages with significant variances investigated, sheets should have the signatures of the ticket taker(s), person performing the reconciliation and the person verifying the reconciliation. Under no circumstances should the sheet be backed into and tickets torn off the roll to match the money collected.

**FINDING NUMBER 2004-002**

**Reportable Condition - Student Activity Funds**

Sales project potential forms were not completed for 67% of the District's student activity funds and for the completed forms there was no evidence a supervisory review was performed. Records for some fund raising activities were very limited.

This limits control and accountability over student activity revenues and increases the possibility of errors or irregularities occurring and not being detected during the normal course of operations. To improve controls over student activities, we recommend:

Each activity is required to complete the estimated portion of the sales project potential forms prior to the start of a fund raiser. This portion of the form should be approved by the appropriate supervisor to indicate approval to hold a fundraiser. At the end of the project the reconciliation portion of the form should be completed. The reconciliation portion of the form should include the number of items ordered, the number sold and price sold for, a reconciliation of the revenues due (items sold x cost per item) to the revenues received and deposited with the District Treasurer and a summary of the disposition of unsold items (i.e. returned, given away, etc.). The completed forms should be reviewed for completeness and accuracy by a member of the District's management. Each activity advisor/treasurer should maintain records to support the information included on the sales project potential form. In addition, District receipts should include both a total of all receipts and a detail of receipts by fund raiser.

District staff assigned to work on student activities should read the Auditor of State's *Guidelines for Developing Policies for Student Activity Programs*. It is available at [www.auditor.state.oh.us](http://www.auditor.state.oh.us), then click on Publications, Local Government Manuals and Handbooks. Staff assigned to student activity cash collecting, disbursing, or accounting should sign a statement annually that they have read this publication.

Van Buren Local School District  
 Schedule of Prior Audit Findings  
 June 30, 2004

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Recommendation for improved controls over athletic season ticket sales.	No	This finding has not been corrected and is repeated as finding 2004-001 in this report.
2003-002	Recommendation for improved controls over student activity funds.	No	This finding has not been corrected and is repeated as finding 2004-002 in this report.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**VAN BUREN LOCAL SCHOOL DISTRICT**

**HANCOCK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 12, 2005**