



**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Vanlue Local School District, Hancock County, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Vanlue Local School District, Hancock County, as of June 30, 2000, and the results of its operations and the cash flows of its enterprise fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2001 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.

Jim Petro
Auditor of State

February 28, 2001

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**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets and Other Debits:			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$747,964	\$71,145	\$159,173
Cash and Cash Equivalents with Fiscal Agent		1,976	
Receivables:			
Property Taxes	609,866		33,579
Income Taxes	104,813		
Accounts	873	42	
Prepaid Items	9,428		
Inventory Held for Resale			
Materials and Supplies Inventory	17,095	5,483	
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	73,139		
Advances to Other Funds	5,000		
Fixed Assets (net, where applicable, of accumulated depreciation)			
<u>Other Debits:</u>			
Amount Available for the Payment of Termination Benefits			
Amount to be Provided from General Governmental Resources			
Total Assets and Other Debits	\$1,568,178	\$78,646	\$192,752

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$1,965	\$15,235			\$995,482
				1,976
				643,445
				104,813
				915
405				9,833
2,451				2,451
212				22,790
				73,139
				5,000
5,702		\$2,694,873		2,700,575
			\$35,030	35,030
			61,601	61,601
<u>\$10,735</u>	<u>\$15,235</u>	<u>\$2,694,873</u>	<u>\$96,631</u>	<u>\$4,657,050</u>

(Continued)

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000
(Continued)**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Liabilities, Fund Equity, and Other Credits:			
<u>Liabilities:</u>			
Accounts Payable	\$16,312	\$4,157	\$496
Accrued Wages and Benefits	178,449	6,933	
Compensated Absences Payable	1,171	36,843	
Intergovernmental Payable	32,009	335	
Due to Students			
Deferred Revenue	576,082		29,887
Advances from Other Funds			
	<u>804,023</u>	<u>48,268</u>	<u>30,383</u>
 <u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets			
Contributed Capital			
Retained Earnings:			
Unreserved (Deficit)			
Fund Balance:			
Reserved for Property Taxes	33,784		3,692
Reserved for Inventory	17,095	5,483	
Reserved for Textbooks	30,443		
Reserved for Budget Stabilization	32,696		
Reserved for Bus Purchase	10,000		
Reserved for Advances	5,000		
Reserved for Encumbrances	17,184	9,215	11,488
Designated for Budget Stabilization	4,462		
Designated for Termination Benefits		35,030	
Unreserved, Undesignated (Deficit)	613,491	(19,350)	147,189
	<u>764,155</u>	<u>30,378</u>	<u>162,369</u>
Total Fund Equity (Deficit) and Other Credits	<u>764,155</u>	<u>30,378</u>	<u>162,369</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$1,568,178</u>	<u>\$78,646</u>	<u>\$192,752</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$29				\$20,994
10,440				195,822
1,044			\$81,463	120,521
7,175			15,168	54,687
	\$14,035			14,035
1,921				607,890
5,000				5,000
<u>25,609</u>	<u>14,035</u>		<u>96,631</u>	<u>1,018,949</u>
		\$2,694,873		2,694,873
32,744				32,744
(47,618)				(47,618)
				37,476
				22,578
				30,443
				32,696
				10,000
				5,000
				37,887
				4,462
				35,030
	1,200			742,530
<u>(14,874)</u>	<u>1,200</u>	<u>2,694,873</u>		<u>3,638,101</u>
<u>\$10,735</u>	<u>\$15,235</u>	<u>\$2,694,873</u>	<u>\$96,631</u>	<u>\$4,657,050</u>

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2000**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Revenues:			
Property Taxes	\$586,388		\$63,607
Income Taxes	307,424		
Intergovernmental	1,016,873	\$101,824	35,444
Interest	63,287		
Tuition and Fees	14,984		
Extracurricular Activities		36,725	
Gifts and Donations	35,640	3,250	
Miscellaneous	882	15	
Total Revenues	<u>2,025,478</u>	<u>141,814</u>	<u>99,051</u>
Expenditures:			
Current:			
Instruction:			
Regular	924,923	40,347	
Special	83,645	28,005	
Vocational	66,982		
Other	13,446		
Support Services:			
Pupils	49,729	48,565	
Instructional Staff	28,393	5,886	
Board of Education	22,497		
Administration	198,044	16,210	
Fiscal	77,876	104	1,361
Operation and Maintenance of Plant	201,033	3,196	
Pupil Transportation	134,038	990	
Central	14,467		
Non-Instructional Services		18	
Extracurricular Activities	57,151	34,428	
Capital Outlay			131,064
Total Expenditures	<u>1,872,224</u>	<u>177,749</u>	<u>132,425</u>
Excess of Revenues Over (Under) Expenditures	<u>153,254</u>	<u>(35,935)</u>	<u>(33,374)</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	100	60	
Operating Transfers In		6,233	35,000
Operating Transfers Out	(46,233)		
Total Other Financing Sources (Uses)	<u>(46,133)</u>	<u>6,293</u>	<u>35,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	107,121	(29,642)	1,626
Fund Balances at Beginning of Year	658,800	54,537	160,743
Increase (Decrease) in Reserve for Inventory	(1,766)	5,483	
Fund Balances at End of Year	<u>\$764,155</u>	<u>\$30,378</u>	<u>\$162,369</u>

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Expendable Trust</u>	
	\$649,995
	307,424
	1,154,141
	63,287
	14,984
	36,725
\$1,200	40,090
	897
<u>1,200</u>	<u>2,267,543</u>
	965,270
	111,650
	66,982
	13,446
	98,294
	34,279
	22,497
	214,254
	79,341
	204,229
	135,028
	14,467
	18
	91,579
	131,064
	<u>2,182,398</u>
<u>1,200</u>	<u>85,145</u>
	160
	41,233
	(46,233)
	<u>(4,840)</u>
1,200	80,305
	874,080
	3,717
<u>\$1,200</u>	<u>\$958,102</u>

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2000**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$613,848	\$608,873	(\$4,975)
Income Taxes	290,000	305,218	15,218
Intergovernmental	1,009,374	1,017,565	8,191
Interest	56,000	63,276	7,276
Tuition and Fees	15,021	15,463	442
Extracurricular Activities			
Gifts and Donations	35,560	35,640	80
Miscellaneous	175	573	398
Total Revenues	<u>2,019,978</u>	<u>2,046,608</u>	<u>26,630</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,005,733	926,675	79,058
Special	112,830	82,920	29,910
Vocational	77,650	66,830	10,820
Other	45,000	13,446	31,554
Support Services:			
Pupils	51,425	49,459	1,966
Instructional Staff	54,607	29,119	25,488
Board of Education	41,628	27,787	13,841
Administration	226,326	198,253	28,073
Fiscal	91,974	77,395	14,579
Operation and Maintenance of Plant	260,741	206,792	53,949
Pupil Transportation	157,161	133,472	23,689
Central	20,141	14,414	5,727
Extracurricular Activities	79,515	58,333	21,182
Capital Outlay			
Total Expenditures	<u>2,224,731</u>	<u>1,884,895</u>	<u>339,836</u>
Excess of Revenues Over (Under) Expenditures	<u>(204,753)</u>	<u>161,713</u>	<u>366,466</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	100	100	
Other Financing Sources	70	70	
Refund of Prior Year Expenditures	366	366	
Refund of Prior Year Receipts	(1,000)	(50)	950
Advances In	19,148	19,148	
Advances Out			
Operating Transfers In			
Operating Transfers Out	(47,500)	(46,233)	1,267
Total Other Financing Sources (Uses)	<u>(28,816)</u>	<u>(26,599)</u>	<u>2,217</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(233,569)</u>	<u>135,114</u>	<u>368,683</u>
Fund Balances at Beginning of Year	600,479	600,479	
Prior Year Encumbrances Appropriated	63,149	63,149	
Fund Balances at End of Year	<u>\$430,059</u>	<u>\$798,742</u>	<u>\$368,683</u>

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$66,603	\$66,090	(\$513)
\$71,519	\$85,227	\$13,708	34,597	35,304	707
32,981	36,769	3,788			
2,152	3,250	1,098			
	15	15			
<u>106,652</u>	<u>125,261</u>	<u>18,609</u>	<u>101,200</u>	<u>101,394</u>	<u>194</u>
10,383	1,734	8,649	56,498	37,867	18,631
26,957	27,103	(146)			
32,200	45,326	(13,126)			
17,483	14,670	2,813			
			1,700	1,361	339
3,500	3,196	304	84,594	83,335	1,259
1,000	990	10	16,000	16,000	
38,045	38,356	(311)			
			<u>141,000</u>	<u>16,000</u>	<u>125,000</u>
<u>129,568</u>	<u>131,375</u>	<u>(1,807)</u>	<u>299,792</u>	<u>154,563</u>	<u>145,229</u>
<u>(22,916)</u>	<u>(6,114)</u>	<u>16,802</u>	<u>(198,592)</u>	<u>(53,169)</u>	<u>145,423</u>
60	60				
			12,632	12,632	
			(31,780)	(31,780)	
6,233	6,233		35,000	35,000	
<u>6,293</u>	<u>6,293</u>		<u>15,852</u>	<u>15,852</u>	
(16,623)	179	16,802	(182,740)	(37,317)	145,423
58,859	58,859		127,772	127,772	
120	120		56,734	56,734	
<u>\$42,356</u>	<u>\$59,158</u>	<u>\$16,802</u>	<u>\$1,766</u>	<u>\$147,189</u>	<u>\$145,423</u>

(Continued)

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2000
(Continued)**

	<u>Expendable Trust Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Property Taxes			
Income Taxes			
Intergovernmental			
Interest			
Tuition and Fees			
Extracurricular Activities			
Gifts and Donations		\$1,200	\$1,200
Miscellaneous			
Total Revenues		1,200	1,200
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support Services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Extracurricular Activities			
Capital Outlay			
Total Expenditures			
Excess of Revenues Over (Under) Expenditures		1,200	1,200
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets			
Other Financing Sources			
Refund of Prior Year Expenditures			
Refund of Prior Year Receipts			
Advances In			
Advances Out			
Operating Transfers In			
Operating Transfers Out			
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		1,200	1,200
Fund Balances at Beginning of Year			
Prior Year Encumbrances Appropriated			
Fund Balances at End of Year		\$1,200	\$1,200

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$680,451	\$674,963	(\$5,488)
290,000	305,218	15,218
1,115,490	1,138,096	22,606
56,000	63,276	7,276
15,021	15,463	442
32,981	36,769	3,788
37,712	40,090	2,378
175	588	413
<u>2,227,830</u>	<u>2,274,463</u>	<u>46,633</u>
1,072,614	966,276	106,338
139,787	110,023	29,764
77,650	66,830	10,820
45,000	13,446	31,554
83,625	94,785	(11,160)
54,607	29,119	25,488
41,628	27,787	13,841
243,809	212,923	30,886
93,674	78,756	14,918
348,835	293,323	55,512
174,161	150,462	23,699
20,141	14,414	5,727
117,560	96,689	20,871
141,000	16,000	125,000
<u>2,654,091</u>	<u>2,170,833</u>	<u>483,258</u>
<u>(426,261)</u>	<u>103,630</u>	<u>529,891</u>
160	160	
70	70	
366	366	
(1,000)	(50)	950
31,780	31,780	
(31,780)	(31,780)	
41,233	41,233	
(47,500)	(46,233)	1,267
<u>(6,671)</u>	<u>(4,454)</u>	<u>2,217</u>
(432,932)	99,176	532,108
787,110	787,110	
120,003	120,003	
<u>\$474,181</u>	<u>\$1,006,289</u>	<u>\$532,108</u>

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Revenues, Expenses, and Changes in Fund Equity
Enterprise Fund
For the Fiscal Year Ended June 30, 2000**

Operating Revenues:	
Sales	<u>\$64,093</u>
Operating Expenses:	
Salaries	44,331
Fringe Benefits	17,319
Purchased Services	169
Materials and Supplies	1,397
Cost of Sales	38,648
Depreciation	<u>981</u>
Total Operating Expenses	<u>102,845</u>
Operating Loss	<u>(38,752)</u>
Non-Operating Revenues:	
Federal Donated Commodities	4,826
Operating Grants	20,361
Interest	65
Gain on Disposal of Fixed Assets	<u>1,001</u>
Total Non-Operating Revenues	<u>26,253</u>
Loss Before Operating Transfers	(12,499)
Operating Transfers In	<u>5,000</u>
Net Loss	(7,499)
Retained Earnings (Deficit) at Beginning of Year	<u>(40,119)</u>
Retained Earnings (Deficit) at End of Year	(47,618)
Contributed Capital at Beginning and End of Year	<u>32,744</u>
Total Fund Equity (Deficit) at End of Year	<u><u>(\$14,874)</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Revenues, Expenses, and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
Enterprise Fund
For the Fiscal Year Ended June 30, 2000**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$58,768	\$64,093	\$5,325
Operating Grants	19,500	20,361	861
Interest	19	65	46
	<u>78,287</u>	<u>84,519</u>	<u>6,232</u>
Expenses:			
Salaries	44,450	42,677	1,773
Fringe Benefits	15,650	13,508	2,142
Purchased Services	500	169	331
Materials and Supplies	37,000	35,316	1,684
	<u>97,600</u>	<u>91,670</u>	<u>5,930</u>
Excess of Revenues Under Expenses	(19,313)	(7,151)	12,162
Operating Transfers In	<u>15,213</u>	<u>5,000</u>	<u>(10,213)</u>
Excess of Revenues Under Expenses and Transfers	(4,100)	(2,151)	1,949
Fund Balances at Beginning of Year	<u>4,116</u>	<u>4,116</u>	
Fund Balances at End of Year	<u>\$16</u>	<u>\$1,965</u>	<u>\$1,949</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2000**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$64,093
Cash Payments for Salaries	(42,677)
Cash Payments for Fringe Benefits	(13,508)
Cash Payments to Suppliers for Goods and Services	(35,485)

Net Cash Used for Operating Activities	(27,577)
--	----------

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	20,361
Cash Received from Operating Transfers In	5,000

Net Cash Provided by Noncapital Financing Activities	25,361
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Cash Flows from Investing Activities:

Cash Received from Interest	65
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Net Increase in Cash and Cash Equivalents	(2,151)
Cash and Cash Equivalents at Beginning of Year	4,116

Cash and Cash Equivalents at End of Year	\$1,965
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**Reconciliation of Operating Loss to Net
Cash Used for Operating Activities:**

Operating Loss	(\$38,752)
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Adjustments to Reconcile Operating Loss to Net

Cash Used for Operating Activities:

Depreciation	981
Donated Commodities Used During Year	4,826
Changes in Assets and Liabilities:	
Decrease in Prepaid Items	255
Increase in Inventory Held for Resale	(136)
Decrease in Materials and Supplies Inventory	10
Increase in Accounts Payable	29
Increase in Accrued Wages and Benefits	2,402
Decrease in Compensated Absences Payable	(1,258)
Increase in Intergovernmental Payable	4,066

Net Cash Used for Operating Activities	(\$27,577)
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Noncash Capital Transactions:

During fiscal year 2000, equipment, with a net book value of \$2,199 was stolen. Insurance provided for replacement of this equipment. The new equipment has a value of \$3,200.

The notes to the general-purpose financial statements are an integral part of this statement.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1922 through the consolidation of existing land areas and school districts. The School District serves an area of approximately forty-nine square miles. It is located in Hancock, Seneca, and Wyandot Counties and includes all of the Village of Vanlue and portions of Amanda, Biglick, Big Spring, and Ridge Townships. The School District is the 607th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by seventeen classified employees, twenty-nine certified teaching personnel, and two administrative employees who provide services to three hundred seventeen students and other community members. The School District currently operates an instructional building and a bus garage.

Reporting Entity

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

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

The School District is associated with three jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Blanchard Valley Cooperative Vocational Career Center, Hancock County Local Professional Development Committee, Hancock County Schools Health Benefit Fund and Trust, and the NOACSC Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 17 and 18 to the combined financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Vanlue Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the enterprise fund provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

Governmental Fund Types

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

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

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

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

Proprietary Fund Type

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

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

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The School District did not have any nonexpendable trust funds in fiscal year 2000. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds or trust funds.

B. Measurement Focus and Basis of Accounting

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

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

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

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

**VANLUE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, grants, investment earnings, tuition, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the enterprise fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

Tax Budget

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

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

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2000.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, there was one supplemental appropriation resolution.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund and reported in the notes to the financial statements for the enterprise fund.

Lapsing of Appropriations

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

**VANLUE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

D. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents held for the School District by the Hancock County Educational Service Center are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2000, investments were limited to STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during the fiscal year 2000 was \$63,287, which included \$13,886 assigned from other School District funds.

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

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

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

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials and to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

**VANLUE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

H. Fixed Assets and Depreciation

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

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

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

I. Interfund Assets/Liabilities

Long-term interfund loans are classified as "Advances to/from Other Funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

J. Compensated Absences

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

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

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

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and

**VANLUE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than sixty days after fiscal year end are not considered to have been paid using current available expendable resources.

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

L. Contributed Capital

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

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

M. Fund Balance Reserves and Designations

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

The designation for budget stabilization represents revenues set aside that exceed statutorily required amounts. The designation for termination benefits represents revenues accumulated for future severance payments.

N. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

**VANLUE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Allocation

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Education Management Information System
SchoolNet Professional Development Textbook/Instructional Materials
Ohio Reads
Safe School Helpline
Eisenhower
Title VI-B
Title I
Title VI
Drug Free
Preschool
Title VI-R

Capital Projects Funds

SchoolNet Plus
Tech Equity
Emergency School Building Repair

Reimbursable Grants

General Fund

Driver Education

Special Revenue Fund

Telecommunications

Enterprise Fund

National School Lunch Program
Government Donated Commodities

Grants and entitlements were 51 percent of the revenues of the School District's governmental fund types during the 2000 fiscal year.

O. Interfund Transactions

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

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

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

P. 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.

Q. Total Columns on General-Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund balances/retained earnings at June 30, 2000.

<u>Fund Type/Fund</u>	<u>Deficit</u>
Special Revenue Funds	
Termination Benefits	\$1,813
Title I	7,011
Enterprise Fund	
Food Service	47,618

The deficit fund balances in the special revenue funds at June 30, 2000, were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The deficit retained earnings in the enterprise fund at June 30, 2000, is the result of accumulated operating losses from prior years.

B. Compliance

The following accounts had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2000.

**VANLUE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund			
Pupils/Fringe Benefits	\$6,050	\$6,089	\$39
Fiscal/Salaries	37,000	37,651	651
Special Revenue Funds			
Public School Support			
Administration/Materials and Supplies	\$1,000	\$1,148	\$148
Athletics			
Extracurricular Activities/Purchased Services	13,975	16,016	2,041
Ohio Reads			
Pupils/Purchased Services	400	4,826	4,426
Pupils/Materials and Supplies	28,100	38,017	9,917
Title I			
Special/Salaries	25,247	25,407	160

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure in the enterprise fund (GAAP basis).
4. Although not part of the appropriated budget, the Eisenhower, Title VI-B, Drug Free, and Preschool special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

**VANLUE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Capital Projects
GAAP Basis	\$107,121	(\$29,642)	\$1,626
<u>Increase (Decrease) Due To:</u>			
Revenue Accruals:			
Accrued FY 1999, Received in Cash FY 2000	160,896	86	6,175
Accrued FY 2000, Not Yet Received in Cash	(139,470)	(42)	(3,692)
Expenditure Accruals:			
Accrued FY 1999, Paid in Cash FY 2000	(220,116)	(6,981)	(10,790)
Accrued FY 2000, Not Yet Paid in Cash	227,941	48,268	496
Prepaid Items	1,955		
Advances In	19,148		12,632
Advances Out			(31,780)
Excess of Revenues Under Expenditures for Nonbudgeted Funds		477	
Encumbrances Outstanding at Year End (Budget Basis)	(22,361)	(11,987)	(11,984)
Budget Basis	\$135,114	\$179	(\$37,317)

Net Loss/Excess of Revenues Under Expenses and Transfers Enterprise Fund	
GAAP Basis	(\$7,499)
<u>Increase (Decrease) Due To:</u>	
Expense Accruals:	
Accrued FY 1999, Paid in Cash FY 2000	(13,449)
Accrued FY 2000, Not Yet Paid in Cash	18,688
Prepaid Items	255
Inventory Held for Resale	(136)
Materials and Supplies Inventory	10
Gain on Disposal of Fixed Assets	(1,001)
Depreciation Expense	981
Budget Basis	(\$2,151)

**VANLUE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of 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).

**VANLUE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

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

At fiscal year end, the School District had \$75 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents". The School District also had \$1,976 in cash and cash equivalents held by the Hancock County Educational Service Center. This amount is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent". 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 \$57,138 and the bank balance was \$91,667. The entire bank balance was covered by federal depository insurance.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2000, the fair value of funds on deposit with STAR Ohio was \$1,011,408.

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$1,070,597	
Cash on Hand	(75)	
Cash and Cash Equivalents with Educational Service Center	(1,976)	

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

	Cash and Cash Equivalents/ Deposits	Investments
Investments:		
STAR Ohio	(1,011,408)	1,011,408
GASB Statement No. 3	\$57,138	\$1,011,408

NOTE 6 - 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 year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2000 represent the collection of calendar year 1999 taxes. Real property taxes for 2000 were levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax revenues received in calendar year 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. Tangible personal property taxes for 2000 were levied after April 1, 1999, on the value as of December 31, 1999. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Hancock, Seneca, and Wyandot Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$33,784 in the General Fund and \$3,692 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 1999, was \$56,269 in the General Fund, and \$6,175 in the Permanent Improvement capital projects fund.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

The assessed values upon which fiscal year 2000 taxes were collected are:

	<u>1999 Second-Half Collections</u>		<u>2000 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$20,890,230	88.94%	\$22,162,920	88.62%
Industrial/Commercial	752,500	3.20	762,480	3.05
Public Utility	1,060,250	4.51	1,087,900	4.35
Tangible Personal	<u>785,985</u>	<u>3.35</u>	<u>995,886</u>	<u>3.98</u>
Total Assessed Value	<u><u>\$23,488,965</u></u>	<u><u>100.00%</u></u>	<u><u>\$25,009,186</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$45.55		\$45.00	

NOTE 7 - INCOME TAXES

The School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1996, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2000, consisted of both property and income taxes, and accounts receivable (student fees and billings for user charged services). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. Accounts receivable at June 30 were \$915.

NOTE 9 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$50,388
Less Accumulated Depreciation	<u>(44,686)</u>
Net Fixed Assets	<u><u>\$5,702</u></u>

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

A summary of the changes in general fixed assets during fiscal year 2000 follows:

<u>Asset Category</u>	<u>Balance at 6/30/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/00</u>
Land and Improvements	\$85,599	\$130,274		\$215,873
Buildings and Improvements	1,633,824			1,633,824
Furniture, Fixtures, and Equipment	551,408	44,334	20,101	575,641
Vehicles	<u>217,508</u>	<u>52,027</u>		<u>269,535</u>
Totals	<u>\$2,488,339</u>	<u>\$226,635</u>	<u>\$20,101</u>	<u>\$2,694,873</u>

NOTE 10 - INTERFUND ASSETS/LIABILITIES

At June 30, 2000, the General Fund had an advance to other funds and the Food Service enterprise fund had advance from other funds, in the amount of \$5,000.

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted for the following insurance coverages:

Coverages provided by Utica National Insurance are as follows:

Buildings and Contents - replacement cost (\$500 deductible)	\$5,524,045
Inland Marine Coverage (\$100 deductible)	
Concession Trailer	8,500
Audio/Visual Equipment	29,685
Band Uniforms	110,560
Hardware	100,000
Employee Dishonesty - per loss	2,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Medical Payments - per person	5,000

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

Coverages provided by Wausau/Nationwide Insurance are as follows:

General School District Liability	
Per Occurrence	\$1,000,000
Total per Year	3,000,000
Fire Damage	100,000
Medical Payments	5,000
Umbrella Liability	
Per Occurrence	1,000,000
Total per Year	3,000,000
Employee Benefits Liability	500,000

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

For fiscal year 2000, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Acordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$57,534, \$54,361, and \$91,387, respectively; 82 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$10,152, is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 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, 2000, 1999, and 1998, were \$15,193, \$19,383, and \$21,734, respectively; 52 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$7,279, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2000, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$76,712 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. 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 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$31,401 for fiscal year 2000.

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, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components is 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. Sick leave may be accumulated up to a maximum of one hundred eighty days for school personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of thirty days. Teachers receive an additional severance payment, of up to thirty days, for accumulated sick leave in excess of one hundred eighty days.

B. Health Care Benefits

The School District provides medical, dental, vision, and life insurance to all employees through the Hancock County Schools Health Benefit Fund and Trust. Depending upon the plan chosen, the employees share the

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Compensated Absences Payable	\$129,382		\$47,919	\$81,463
Intergovernmental Payable	13,892	\$15,168	13,892	15,168
Total General Long-Term Obligations	<u>\$143,274</u>	<u>\$15,168</u>	<u>\$61,811</u>	<u>\$96,631</u>

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

The School District's overall debt margin was \$2,250,827 with an unvoted debt margin of \$25,009 at June 30, 2000.

NOTE 16 - SET ASIDE REQUIREMENTS

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2000.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 1999	\$12,787		\$21,415
Current Year Set Aside Requirement	53,643	\$53,643	17,881
Current Year Offsets		(53,643)	(6,600)
Qualifying Expenditures	(35,987)		
Balance Carried Forward to Fiscal Year 2001	<u>\$30,443</u>		<u>\$32,696</u>
Reserve Balance June 30, 2000	<u>\$30,443</u>		<u>\$32,696</u>

The total reserve balance for the set asides at the end of the fiscal year was \$63,139.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

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, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

B. Blanchard Valley Cooperative Vocational Career Center

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

C. Hancock County Local Professional Development Committee

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

NOTE 18 - INSURANCE POOLS

A. Hancock County Schools Health Benefit Fund and Trust

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

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

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

B. NOACSC Workers' Compensation Group Rating Plan

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

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

NOTE 19 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$926,975 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled". The Supreme Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision; however, it found seven "...major areas warrant further attention, study, and development by the Ohio General Assembly...", including the State's reliance on local property tax funding; the State's basic aid formula; the school foundation program, as discussed above; the mechanism for, and adequacy of, funding for school facilities; and the existence of the State's School Solvency Assistance Fund, which the Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

The Supreme Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 20 - CONTINGENT LIABILITIES

A. Grants

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

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

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, 2000.

B. Litigation

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



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

We have audited the financial statements of Vanlue Local School District, Hancock County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated February 28, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 28, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 28, 2001.

Vanlue Local School District
Hancock County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit 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.

Jim Petro
Auditor of State

February 28, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
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VANLUE LOCAL SCHOOL DISTRICT

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 13, 2001**