



**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet	
All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	
All Governmental Fund Types .....	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	
Budget and Actual Comparison (Non-GAAP Budgetary Basis)	
All Governmental Fund Types .....	9
Statement of Revenues, Expenses and Changes in Fund Equity	
Enterprise Fund .....	12
Statement of Revenues, Expenses, and Changes in Fund Balances –	
Budget and Actual Comparison (Non-GAAP Budgetary Basis)	
Enterprise Fund .....	13
Statement of Cash Flows	
Enterprise Fund .....	14
Notes to the General-Purpose Financial Statements .....	15
Report of Independent Accountants on Compliance and on	
Internal Control Required by <i>Government Auditing Standards</i> .....	39

**This page intentionally left blank.**



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

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

## 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, 1999, 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, 1999, 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.

As described in note 3 to the general-purpose financial statements, during fiscal year 1999 the District reclassified a certain fund and changed its capitalization policy for textbooks.

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

**This page intentionally left blank.**

**This page intentionally left blank.**

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 1999**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>Assets and Other Debits</b>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$599,426	\$58,979	\$184,506
Cash and Cash Equivalents with Fiscal Agent		2,453	
Receivables:			
Property Taxes	605,261		66,169
Income Taxes	102,596		
Accounts	1,339	86	
Intergovernmental	692		
Due from Other Funds	19,288		12,632
Prepaid Items	11,383		
Inventory Held for Resale			
Materials and Supplies Inventory	18,861		
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	64,202		
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			
<b>Total Assets and Other Debits</b>	<b>\$1,428,048</b>	<b>\$61,518</b>	<b>\$263,307</b>

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</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>Agency</u>			
				\$861,850
				2,453
				671,430
				102,596
				1,425
				692
				31,920
660				12,043
1,335				1,335
222				19,083
				64,202
				5,000
5,682		\$2,488,339		2,494,021
			\$42,715	42,715
			100,559	100,559
<u>\$12,015</u>	<u>\$14,823</u>	<u>\$2,488,339</u>	<u>\$143,274</u>	<u>\$4,411,324</u>

(Continued)

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 1999  
(Continued)**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>Liabilities, Fund Equity, and Other Credits</b>			
<u>Liabilities:</u>			
Accounts Payable	\$6,536	\$80	\$10,650
Accrued Wages and Benefits	178,055	6,764	
Compensated Absences Payable	5,471		
Intergovernmental Payable	30,194	137	
Due to Other Funds			31,920
Due to Students			
Deferred Revenue	548,992		59,994
Advances from Other Funds			
	<u>769,248</u>	<u>6,981</u>	<u>102,564</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	56,269		6,175
Reserved for Inventory	18,861		
Reserved for Textbooks	12,787		
Reserved for Budget Stabilization	21,415		
Reserved for Bus Purchase	30,000		
Reserved for Advances	5,000		
Reserved for Encumbrances	29,343	40	46,084
Designation for Termination Benefits		42,715	
Unreserved	485,125	11,782	108,484
	<u>658,800</u>	<u>54,537</u>	<u>160,743</u>
<b>Total Fund Equity (Deficit) and Other Credits</b>	<u><b>658,800</b></u>	<u><b>54,537</b></u>	<u><b>160,743</b></u>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<u><b>\$1,428,048</b></u>	<u><b>\$61,518</b></u>	<u><b>\$263,307</b></u>

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

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</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>Agency</u>			
				\$17,266
\$8,038				192,857
2,302			\$129,382	137,155
3,109			13,892	47,332
				31,920
	\$14,823			14,823
941				609,927
5,000				5,000
<u>19,390</u>	<u>14,823</u>		<u>143,274</u>	<u>1,056,280</u>
		\$2,488,339		2,488,339
32,744				32,744
(40,119)				(40,119)
				62,444
				18,861
				12,787
				21,415
				30,000
				5,000
				75,467
				42,715
				605,391
<u>(7,375)</u>		<u>2,488,339</u>		<u>3,355,044</u>
<u><b>\$12,015</b></u>	<u><b>\$14,823</b></u>	<u><b>\$2,488,339</b></u>	<u><b>\$143,274</b></u>	<u><b>\$4,411,324</b></u>

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Revenues:</b>				
Property Taxes	\$634,060		\$69,996	\$704,056
Income Taxes	295,602			295,602
Intergovernmental	1,046,010	\$85,391	155,707	1,287,108
Interest	51,119			51,119
Tuition and Fees	10,861			10,861
Extracurricular Activities		29,459		29,459
Gifts and Donations	75	2,438		2,513
Miscellaneous	765			765
<b>Total Revenues</b>	<u>2,038,492</u>	<u>117,288</u>	<u>225,703</u>	<u>2,381,483</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	836,477	32,516	22,315	891,308
Special	87,344	33,829		121,173
Vocational	60,619			60,619
Support Services:				
Pupils	44,984	8,629		53,613
Instructional Staff	28,942	4,042		32,984
Board of Education	24,544			24,544
Administration	196,859	6,682		203,541
Fiscal	87,015	2,451	1,379	90,845
Operation and Maintenance of Plant	192,215		7,825	200,040
Pupil Transportation	87,894	402		88,296
Central	16,424			16,424
Non-Instructional Services		18		18
Extracurricular Activities	63,318	29,557		92,875
Capital Outlay	133,957		399,547	533,504
<b>Total Expenditures</b>	<u>1,860,592</u>	<u>118,126</u>	<u>431,066</u>	<u>2,409,784</u>
Excess of Revenues Over (Under) Expenditures	<u>177,900</u>	<u>(838)</u>	<u>(205,363)</u>	<u>(28,301)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Fixed Assets	95	60		155
Operating Transfers In		42,715		42,715
Operating Transfers Out	(42,715)			(42,715)
<b>Total Other Financing Sources (Uses)</b>	<u>(42,620)</u>	<u>42,775</u>		<u>155</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	135,280	41,937	(205,363)	(28,146)
Fund Balances at Beginning of Year - Restated (Note 3)	517,887	12,600	366,106	896,593
Increase in Reserve for Inventory	5,633			5,633
<b>Fund Balances at End of Year</b>	<u><u>\$658,800</u></u>	<u><u>\$54,537</u></u>	<u><u>\$160,743</u></u>	<u><u>\$874,080</u></u>

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

**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 Fund Types  
For the Fiscal Year Ended June 30, 1999**

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property Taxes	\$616,065	\$616,265	\$200
Income Taxes	292,816	292,816	
Intergovernmental	1,046,068	1,046,068	
Interest	50,555	50,827	272
Tuition and Fees	10,176	10,290	114
Extracurricular Activities			
Gifts and Donations	75	75	
Miscellaneous	391	394	3
Total Revenues	<u>2,016,146</u>	<u>2,016,735</u>	<u>589</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,011,651	853,896	157,755
Special	129,047	94,086	34,961
Vocational	67,525	60,613	6,912
Adult/Continuing	610		610
Other	14,000		14,000
Support Services:			
Pupils	49,635	45,152	4,483
Instructional Staff	59,800	28,341	31,459
Board of Education	29,278	25,077	4,201
Administration	210,478	195,332	15,146
Fiscal	106,618	91,342	15,276
Operation and Maintenance of Plant	272,478	200,522	71,956
Pupil Transportation	162,068	126,028	36,040
Central	21,050	15,826	5,224
Non-Instructional Services	1,100		1,100
Extracurricular Activities	72,840	60,382	12,458
Capital Outlay	154,465	154,343	122
Total Expenditures	<u>2,362,643</u>	<u>1,950,940</u>	<u>411,703</u>
Excess of Revenues Over (Under) Expenditures	<u>(346,497)</u>	<u>65,795</u>	<u>412,292</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets	95	95	
Other Financing Sources	40	40	
Refund of Prior Year Expenditures	1,525	1,525	
Refund of Prior Year Receipts	(2,000)		2,000
Operating Transfers In			
Operating Transfers Out	(45,000)	(42,715)	2,285
Total Other Financing Sources (Uses)	<u>(45,340)</u>	<u>(41,055)</u>	<u>4,285</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(391,837)</u>	<u>24,740</u>	<u>416,577</u>
Fund Balances at Beginning of Year	401,557	401,557	
Prior Year Encumbrances Appropriated	174,182	174,182	
<b>Fund Balances at End of Year</b>	<b><u>\$183,902</u></b>	<b><u>\$600,479</u></b>	<b><u>\$416,577</u></b>

(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 Fund Types  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

	<b>Special Revenue Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property Taxes			
Income Taxes			
Intergovernmental	\$70,866	\$69,778	(\$1,088)
Interest			
Tuition and Fees			
Extracurricular Activities	29,393	29,393	
Gifts and Donations	2,438	2,438	
Miscellaneous			
Total Revenues	<u>102,697</u>	<u>101,609</u>	<u>(1,088)</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	82,102	30,812	51,290
Special	26,009	25,486	523
Vocational			
Adult/Continuing			
Other			
Support Services:			
Pupils	1,918	1,918	
Instructional Staff			
Board of Education			
Administration	6,944	5,867	1,077
Fiscal	2,451	2,451	
Operation and Maintenance of Plant			
Pupil Transportation	402	402	
Central			
Non-Instructional Services			
Extracurricular Activities	34,705	29,595	5,110
Capital Outlay			
Total Expenditures	<u>154,531</u>	<u>96,531</u>	<u>58,000</u>
Excess of Revenues Over (Under) Expenditures	<u>(51,834)</u>	<u>5,078</u>	<u>56,912</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets	60	60	
Other Financing Sources			
Refund of Prior Year Expenditures			
Refund of Prior Year Receipts			
Operating Transfers In	42,715	42,715	
Operating Transfers Out			
Total Other Financing Sources (Uses)	<u>42,775</u>	<u>42,775</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,059)	47,853	56,912
Fund Balances at Beginning of Year	10,136	10,136	
Prior Year Encumbrances Appropriated	870	870	
<b>Fund Balances at End of Year</b>	<b><u>\$1,947</u></b>	<b><u>\$58,859</u></b>	<b><u>\$56,912</u></b>

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

Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$68,193	\$68,212	\$19	\$684,258	\$684,477	\$219
			292,816	292,816	
155,707	155,707		1,272,641	1,271,553	(1,088)
			50,555	50,827	272
			10,176	10,290	114
			29,393	29,393	
			2,513	2,513	
			391	394	3
<u>223,900</u>	<u>223,919</u>	<u>19</u>	<u>2,342,743</u>	<u>2,342,263</u>	<u>(480)</u>
86,191	66,744	19,447	1,179,944	951,452	228,492
			155,056	119,572	35,484
			67,525	60,613	6,912
			610		610
			14,000		14,000
			51,553	47,070	4,483
			59,800	28,341	31,459
			29,278	25,077	4,201
			217,422	201,199	16,223
1,700	1,379	321	110,769	95,172	15,597
39,355	37,189	2,166	311,833	237,711	74,122
16,000	16,000		178,470	142,430	36,040
			21,050	15,826	5,224
			1,100		1,100
			107,545	89,977	17,568
<u>377,234</u>	<u>343,573</u>	<u>33,661</u>	<u>531,699</u>	<u>497,916</u>	<u>33,783</u>
<u>520,480</u>	<u>464,885</u>	<u>55,595</u>	<u>3,037,654</u>	<u>2,512,356</u>	<u>525,298</u>
<u>(296,580)</u>	<u>(240,966)</u>	<u>55,614</u>	<u>(694,911)</u>	<u>(170,093)</u>	<u>524,818</u>
			155	155	
			40	40	
			1,525	1,525	
			(2,000)		2,000
			42,715	42,715	
			(45,000)	(42,715)	2,285
			<u>(2,565)</u>	<u>1,720</u>	<u>4,285</u>
(296,580)	(240,966)	55,614	(697,476)	(168,373)	529,103
98,019	98,019		509,712	509,712	
270,719	270,719		445,771	445,771	
<u><b>\$72,158</b></u>	<u><b>\$127,772</b></u>	<u><b>\$55,614</b></u>	<u><b>\$258,007</b></u>	<u><b>\$787,110</b></u>	<u><b>\$529,103</b></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, 1999**

<b>Operating Revenues:</b>	
Sales	<u>\$64,980</u>
<b>Operating Expenses:</b>	
Salaries	34,722
Fringe Benefits	13,664
Purchased Services	254
Materials and Supplies	1,128
Cost of Sales	39,852
Depreciation	<u>816</u>
Total Operating Expenses	<u>90,436</u>
Operating Loss	<u>(25,456)</u>
<b>Non-Operating Revenues:</b>	
Federal Donated Commodities	5,788
Operating Grants	19,578
Interest	<u>97</u>
Total Non-Operating Revenues	<u>25,463</u>
Net Income	7
Retained Earnings (Deficit) at Beginning of Year	<u>(40,126)</u>
Retained Earnings (Deficit) at End of Year	(40,119)
Contributed Capital at Beginning and End of Year	<u>32,744</u>
<b>Total Fund Equity (Deficit) at End of Year</b>	<b><u><u>(\$7,375)</u></u></b>

*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, 1999**

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Sales	\$64,980	\$64,980	
Operating Grants	19,578	19,578	
Interest	80	97	\$17
	<u>84,638</u>	<u>84,655</u>	<u>17</u>
Total Revenues			
<b>Expenses:</b>			
Salaries	35,645	34,246	1,399
Fringe Benefits	15,325	13,854	1,471
Purchased Services	304	255	49
Materials and Supplies	35,895	34,895	1,000
Capital Outlay	1,100	1,100	
	<u>88,269</u>	<u>84,350</u>	<u>3,919</u>
Total Expenses			
Excess of Revenues Over (Under) Expenses	(3,631)	305	3,936
Fund Balances at Beginning of Year	3,631	3,631	
Prior Year Encumbrances Appropriated	180	180	
	<u>3,811</u>	<u>3,811</u>	
<b>Fund Balances at End of Year</b>	<b>\$180</b>	<b>\$4,116</b>	<b>\$3,936</b>

*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, 1999**

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

Cash Flows from Operating Activities:

Cash Received from Customers	\$64,980
Cash Payments for Salaries	(34,246)
Cash Payments for Fringe Benefits	(13,854)
Cash Payments to Suppliers for Goods and Services	<u>(35,150)</u>

Net Cash Used for Operating Activities	<u>(18,270)</u>
--	-----------------

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	<u>19,578</u>
-------------------------------------	---------------

Cash Flows from Capital and Related Financing Activities:

Cash Payments for Fixed Assets	<u>(1,100)</u>
--------------------------------	----------------

Cash Flows from Investing Activities:

Cash Received from Interest	<u>97</u>
-----------------------------	-----------

Net Increase in Cash and Cash Equivalents	305
Cash and Cash Equivalents at Beginning of Year	<u>3,811</u>

<b>Cash and Cash Equivalents at End of Year</b>	<b><u><u>\$4,116</u></u></b>
---	------------------------------

**Reconciliation of Operating Loss to Net  
Cash Used for Operating Activities:**

Operating Loss	(\$25,456)
----------------	------------

Adjustments to Reconcile Operating Loss to Net

Cash Used for Operating Activities:

Depreciation	816
Donated Commodities Used During Year	5,788
Changes in Assets and Liabilities:	
Decrease in Prepaid Items	1
Decrease in Inventory Held for Resale	202
Decrease in Materials and Supplies Inventory	95
Increase in Accrued Wages and Benefits	288
Increase in Compensated Absences Payable	186
Decrease in Intergovernmental Payable	<u>(190)</u>

<b>Net Cash Used for Operating Activities</b>	<b><u><u>(\$18,270)</u></u></b>
---	---------------------------------

*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, 1999**

**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 Biglick, Amanda, Ridge, and Big Spring 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 sixteen classified employees, twenty-seven certified teaching personnel, and two administrative employees who provide services to three hundred twenty-five 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 18 and 19 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, 1999  
(Continued)**

**A. Basis of Presentation - Fund Accounting**

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

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

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

Governmental Fund Types

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

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

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

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 operations 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, 1999  
(Continued)**

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 expendable or nonexpendable trust funds in fiscal year 1999. 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, other than those accounted for in proprietary funds or trust funds.

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

**B. Measurement Focus and Basis of Accounting**

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

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 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.

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.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

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, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 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, and Drug Free 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, 1999  
(Continued)**

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 1999.

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, several supplemental appropriation resolutions were legally enacted.

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 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  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

**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 1999, 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, 1999.

Following Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the fiscal year 1999 amounted to \$51,119, which includes \$16,311 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, 1999, 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 include amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials, and to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

**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**

Receivables and payables arising between funds for goods provided or services rendered are classified as "Due from/to Other Funds" on the combined balance sheet. 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.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year end are not considered to have been paid using current available financial 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. Designations represent tentative management plans for the expenditure of resources. The District has established a fund designation for termination benefits.

**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  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

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  
Textbook/Instructional Materials  
Ohio School to Work  
Eisenhower  
Title VI-B  
Title I  
Title VI  
Drug Free

Capital Projects Funds

SchoolNet Plus  
Tech Equity  
Emergency School Building Repair

Reimbursable Grants

General Fund

Driver Education

Enterprise Fund

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 54 percent of the revenues of the School District's governmental fund types during the 1999 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.

**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.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

**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 - CHANGE IN ACCOUNTING PRINCIPAL AND RESTATEMENT OF PRIOR YEAR FUND EQUITY**

For fiscal year 1999, the School District determined they would no longer capitalize text/library books. As a result of the change, the Textbook/Instructional Materials fund has been reclassified from a capital projects fund to a special revenue fund.

The effect of this change on the excess of revenues and other financing sources over (under) expenditures and other financing uses as previously reported for the fiscal year ended June 30, 1998, is as follows:

	Special Revenue	Capital Projects
Excess as Previously Reported	(\$2,957)	\$176,624
Restatement for Reclassification of Fund Type	3,673	(3,673)
Restated Amounts for the Fiscal Year Ended June 30, 1998	\$716	\$172,951

This restatement had the following effect on fund balance as previously reported as of June 30, 1998.

	Special Revenue	Capital Projects
Fund Balance as Previously Reported	\$8,927	\$369,779
Restatement for Reclassification of Fund Type	3,673	(3,673)
Restated Balance for the Fiscal Year Ended June 30, 1998	\$12,600	\$366,106

The removal of textbooks from the School District's fixed assets resulted in a decrease in the assets reported in the general fixed asset account group in the amount of \$169,843, from \$2,115,384 to \$1,945,541.

**NOTE 4 - ACCOUNTABILITY**

The following funds had deficit fund balances/retained earnings at June 30, 1999.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

Fund Type/Fund	Deficit
Special Revenue Fund:	
Title I	\$6,439
Capital Projects Fund:	
Emergency School Building Repair	19,164
Enterprise Fund:	
Food Service	40,119

The deficit fund balances in the special revenue funds and capital projects fund at June 30, 1999, 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 Food Service enterprise fund had deficit retained earnings of \$40,119 at June 30, 2000, as a result of accumulated operating losses from prior years.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the 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 as note disclosure in the enterprise fund (GAAP basis).
4. For the enterprise fund, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Although not part of the appropriated budget, the Eisenhower, Title VI-B, and Drug Free special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

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	\$135,280	\$41,937	(\$205,363)
<u>Increase (Decrease) Due To:</u>			
Revenue Accruals:			
Accrued FY 1998, Received in Cash FY 1999	140,704	20	4,391
Accrued FY 1999, Not Yet Received in Cash	(160,896)	(86)	(6,175)
Expenditure Accruals:			
Accrued FY 1998, Paid in Cash FY 1999	(233,964)	(1,352)	(7,023)
Accrued FY 1999, Not Yet Paid in Cash	200,968	6,981	29,938
Prepaid Items	5,797		
Excess of Revenues Under Expenditures for Nonbudgeted Funds		473	
Encumbrances Outstanding at Year End (Budget Basis)	(63,149)	(120)	(56,734)
Budget Basis	<u>\$24,740</u>	<u>\$47,853</u>	<u>(\$240,966)</u>

Net Income/Excess of Revenues Over Expenses  
Enterprise Fund

GAAP Basis	\$7
<u>Increase (Decrease) Due To:</u>	
Expense Accruals:	
Accrued FY 1998, Paid in Cash FY 1999	(13,165)
Accrued FY 1999, Not Yet Paid in Cash	13,449
Prepaid Items	1
Inventory Held for Resale	202
Materials and Supplies Inventory	95
Acquisition of Fixed Assets	(1,100)
Depreciation Expense	816
Budget Basis	<u>\$305</u>

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of 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 that 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  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

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 \$2,453 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 \$53,590 and the bank balance was \$86,829. 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, 1999, the fair value of funds on deposit with STAR Ohio was \$872,462.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "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 financial statements 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	\$928,505	
Cash and Cash Equivalents with Educational Service Center	(2,453)	
Investments:		
STAR Ohio	(872,462)	872,462
GASB Statement No. 3	\$53,590	\$872,462

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. All property is required to be revalued every six years. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Public utility property taxes, attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current fiscal year. Tangible personal property assessments are 25 percent of true value.

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

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

The School District receives property taxes from 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, 1999, are available to finance fiscal year 1999 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, 1999. 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, 1999, was \$56,269 in the General Fund and \$6,175 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 1998, was \$38,474 in the General Fund, and \$4,391 in the Permanent Improvement capital projects fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second-Half Collections		1999 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$16,762,600	87.78%	\$20,890,230	88.94%
Industrial/Commercial	585,300	3.07	752,500	3.20
Public Utility	1,058,480	5.54	1,060,250	4.51
Tangible Personal	690,057	3.61	785,985	3.35
Total Assessed Value	\$19,096,437	100.00%	\$23,488,965	100.00%
Tax rate per \$1,000 of assessed valuation	\$46.85		\$45.55	

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

**NOTE 8 - 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 9 - RECEIVABLES**

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (student fees and billings for user charged services), and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. Accounts receivable at June 30 were \$1,425. The intergovernmental receivable in the General Fund, in the amount \$692, is for driver education and a State of Ohio refund.

**NOTE 10 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$50,088
Less Accumulated Depreciation	<u>(44,406)</u>
Net Fixed Assets	<u><u>\$5,682</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Restated Balance at 6/30/98	Additions	Reductions	Balance at 6/30/99
Land and Improvements	\$84,677	\$2,292	\$1,370	\$85,599
Buildings and Improvements	1,119,454	552,795	38,425	1,633,824
Furniture, Fixtures, and Equipment	523,902	54,308	26,802	551,408
Vehicles	<u>217,508</u>	<u>          </u>	<u>          </u>	<u>217,508</u>
Totals	<u><u>\$1,945,541</u></u>	<u><u>\$609,395</u></u>	<u><u>\$66,597</u></u>	<u><u>\$2,488,339</u></u>

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

**NOTE 11 - INTERFUND ASSETS/LIABILITIES**

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Receivable</u>		<u>Payable</u>	
	<u>Due From</u>	<u>Advances To</u>	<u>Due To</u>	<u>Advances From</u>
General Fund	\$19,288	\$5,000		
Capital Projects Funds:				
Permanent Improvement	12,632			
Emergency School Building Repair			\$31,920	
Total Capital Projects Funds	<u>12,632</u>		<u>31,920</u>	
Enterprise Fund:				
Food Service				\$5,000
Total	<u>\$31,920</u>	<u>\$5,000</u>	<u>\$31,920</u>	<u>\$5,000</u>

**NOTE 12 - 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 1999, 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, 1999  
(Continued)**

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 Insurance	
Uninsured Motorists/Underinsured Motorists	1,000,000
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 last 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 1999, 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.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. 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; 7.7 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 9.02 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, 1999, 1998, and 1997, were \$19,383, \$21,734, and \$21,456, respectively; 51 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$9,431, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$54,361, \$91,387, and \$85,301, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$9,088, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 1999, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$72,482 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998 (the latest information available). For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000, and STRS had 91,999 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 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$20,540 for fiscal year 1999.

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 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575, and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 15 - 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

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

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

**NOTE 16 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Balance at 6/30/98	Additions	Reductions	Balance at 6/30/99
Compensated Absences Payable	\$110,643	\$18,739		\$129,382
Intergovernmental Payable	15,184	13,892	15,184	13,892
Total General Long-Term Obligations	<u>\$125,827</u>	<u>\$32,631</u>	<u>\$15,184</u>	<u>\$143,274</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 \$2,114,007 with an unvoted debt margin of \$23,489 at June 30, 1999.

**NOTE 17 - RESERVATIONS OF FUND BALANCE**

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 School District also receives resources from the State of Ohio which are restricted by State law to the purchase of school buses. The balance of this allocation is also reflected as a reservation of fund balance in the General Fund at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 1999 as well as the balance of the bus purchase allocation.

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Balance June 30, 1998			\$6,600	\$6,600
Current Year Set Aside Requirement	\$29,629	\$29,629	14,815	74,073
Current Year Offsets	(4,671)	(29,629)		(34,300)
Qualifying Expenditures	(12,171)			(12,171)
Balance June 30, 1999	<u>\$12,787</u>		<u>\$21,415</u>	34,202
Amount Restricted for Bus Purchase				<u>30,000</u>
Total Restricted Assets				<u>\$64,202</u>

Amounts of offsets and qualifying expenditures presented in the table were limited to those necessary to reduce the year end balance to zero. Although the School District may have had additional offsets and qualifying expenditures during the year, by rule, these amounts may not be used to reduce the set aside requirements of future years and are therefore not presented.

**NOTE 18 - 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 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 Putnam and Hancock Counties 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, at 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

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

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 19 - 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.

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

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

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

**NOTE 20 - SCHOOL FOUNDATION PROGRAM**

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, 1999, the School District received \$977,816 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 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 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

**VANLUE LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

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 21 - CONTINGENT LIABILITIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**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

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

## 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, 1999, and have issued our report thereon dated February 28, 2001, in which we noted that the District changed its capitalization policy for textbooks and reclassified a certain fund. 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  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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**