



**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Van Buren Local School District
Hancock County
217 South Main Street
P.O. Box 229
Van Buren, Ohio 45889-0229

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

March 5, 2008

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of Van Buren Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2008 were as follows:

- Net assets for governmental activities increased \$1,886,459, or 16 percent. This was the fourth year in a row that revenues have exceeded expenses. Net assets for business-type activities increased \$9,185, or 12 percent.
- General revenues were \$10,760,278, or 89 percent of all governmental activities revenues and demonstrate the School District's significant dependence on property taxes.
- The School District continues to be a member of the Hancock County Schools Insurance Consortium Group Health Plan, which is a risk sharing insurance pool. During fiscal year 2008, the pool increased the base health insurance rates by 15 percent (rates increased by 19.5 percent in fiscal year 2007). As a result of the current increase, the Board of Education's share for monthly premiums for health, dental, vision, and life insurance increased from \$66,500/month to \$79,700/month.

Using the Basic Financial Statements

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

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

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

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

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's only major fund is the General Fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal yearend for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2008 and fiscal year 2007:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<u>Assets</u>						
Current and Other Assets	\$16,143,905	\$15,017,875	\$87,487	\$78,302	\$16,231,392	\$15,096,177
Capital Assets, Net	14,382,608	14,502,568			14,382,608	14,502,568
Total Assets	<u>30,526,513</u>	<u>29,520,443</u>	<u>87,487</u>	<u>78,302</u>	<u>30,614,000</u>	<u>29,598,745</u>
<u>Liabilities</u>						
Current and Other Liabilities	7,422,746	7,891,174			7,422,746	7,891,174
Long-Term Liabilities	9,623,156	10,035,117			9,623,156	10,035,117
Total Liabilities	<u>17,045,902</u>	<u>17,926,291</u>			<u>17,045,902</u>	<u>17,926,291</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	5,487,608	5,112,568			5,487,608	5,112,568
Restricted	1,331,294	1,116,789			1,331,294	1,116,789
Unrestricted	6,661,709	5,364,795	87,487	78,302	6,749,196	5,443,097
Total Net Assets	<u>\$13,480,611</u>	<u>\$11,594,152</u>	<u>\$87,487</u>	<u>\$78,302</u>	<u>\$13,568,098</u>	<u>\$11,672,454</u>

A review of the above table reveals one fairly significant change from the prior fiscal year for governmental activities, that being the increase in current and other assets (increased \$1.1 million), or generally in cash and cash equivalents (increased \$1.4 million). Although the School District's revenues decreased from the prior fiscal year and expenses increased, the excess of revenues over expenses provided for the increase in cash on hand at fiscal year end. This increase in cash is also the reason for the increase in unrestricted net assets.

Although the dollar increase for business-type activities was not a great amount, the percentage of increase from the prior fiscal year was significant (12 percent). Net income from the sale of school supplies provided for a larger cash balance than the prior fiscal year.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2008 and fiscal year 2007:

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<u>Revenues</u>						
Program Revenues						
Sales and Charges for Services	\$785,407	\$522,083	\$46,747	\$46,153	\$832,154	\$568,236
Operating Grants, Contributions, and Interest	471,507	452,417			471,507	452,417
Capital Grants, Contributions, and Interest	58,200	24,663			58,200	24,663
Total Program Revenues	1,315,114	999,163	46,747	46,153	1,361,861	1,045,316
General Revenues						
Property Taxes	7,304,887	7,640,767			7,304,887	7,640,767
Payment in Lieu of Taxes	11,050	76,191			11,050	2,832,907
Grants and Entitlements not Restricted to Specific Programs	3,026,777	2,477,367			3,026,777	2,477,367
Interest	281,827	275,859			281,827	275,859
Gifts and Donations	29,629				29,629	
Miscellaneous	106,108	70,988			106,108	70,988
Total General Revenues	10,760,278	10,541,172			10,760,278	13,297,888
Total Revenues	12,075,392	11,540,335	46,747	46,153	12,122,139	14,343,204
<u>Expenses</u>						
Instruction:						
Regular	4,542,298	4,191,330			4,542,298	4,191,330
Special	779,516	718,450			779,516	718,450
Vocational	172,166	137,625			172,166	137,625
Support Services:						
Pupils	341,834	321,822			341,834	321,822
Instructional Staff	305,645	300,960			305,645	300,960
Board of Education	79,888	47,331			79,888	47,331
Administration	726,383	675,795			726,383	675,795
Fiscal	379,915	400,255			379,915	400,255
Operation and Maintenance of Plant						
	1,137,473	1,006,176			1,137,473	1,006,176
Pupil Transportation	521,253	468,459			521,253	468,459
Central	25,909	20,152			25,909	20,152
Non-Instructional Services	276,232	238,285			276,232	238,285
Extracurricular Activities	442,533	340,894			442,533	340,894
Interest and Fiscal Charges	457,888	476,319			457,888	476,319

(Continued)

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 2
Changes in Net Assets
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Uniform School Supplies			\$37,562	\$33,434	\$37,562	\$33,434
Total Expenses	10,188,933	9,343,853	37,562	33,434	10,226,495	9,377,287
Increase in Net Assets	1,886,459	2,196,482	9,185	12,719	1,895,644	4,965,917
Net Assets at Beginning of Year	11,594,152	9,397,670	78,302	65,583	11,672,454	6,706,537
Net Assets at End of Year	<u>\$13,480,611</u>	<u>\$11,594,152</u>	<u>\$87,487</u>	<u>\$78,302</u>	<u>\$13,568,098</u>	<u>\$11,672,454</u>

Program revenues were only 11 percent of total revenues for governmental activities, up 4 percent from the prior fiscal year. In general, program revenues consist of sales and charges for services such as tuition and fees, extracurricular activities/athletic event receipts, and cafeteria sales. Charges for services revenues increased from the prior fiscal year due to open enrollment. Operating grants and contributions and capital grants and contributions reflected as program revenues are restricted intergovernmental resources which are directly associated with certain governmental activities, such as special education funding and food service subsidies, as well as resources restricted for capital acquisitions.

General revenues made up 89 percent of the School District's total revenues. This is overwhelmingly made up of property taxes (68 percent of general revenues). However, property tax revenues decreased from the prior fiscal year due to the decrease in valuation of tangible personal property (tax being eliminated by State statute).

Program expenses for governmental activities remained fairly comparable to the prior fiscal year. As to be expected, instruction programs are the School District's largest expense, accounting for 54 percent of all governmental activities expenses. Combined with the support services related to instruction such as pupils, instructional staff, operation and maintenance of plant, and pupil transportation, 77 percent of all of the School District's expenses are directly related to the functions of delivering education and maintaining facilities.

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

Governmental Activities

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction:				
Regular	\$4,542,298	\$4,191,330	\$4,053,939	\$3,941,958
Special	779,516	718,450	431,230	417,209
Vocational	172,166	137,625	172,166	137,560
Support Services:				
Pupils	341,834	321,822	327,834	307,822
Instructional Staff	305,645	300,960	305,645	300,960
Board of Education	79,888	47,331	79,888	47,331
Administration	726,383	675,795	726,383	675,795
Fiscal	379,915	400,255	379,915	400,255
Operation and Maintenance of Plant	1,137,473	1,006,176	1,137,221	1,005,848
Pupil Transportation	521,253	468,459	500,672	438,838
Central	25,909	20,152	25,909	20,152
Non-Instructional Services	276,232	238,285	18,372	(5,272)
Extracurricular Activities	442,533	340,894	256,757	179,915
Interest and Fiscal Charges	457,888	476,319	457,888	476,319
Total Expenses	<u>\$10,188,933</u>	<u>\$9,343,853</u>	<u>\$8,873,819</u>	<u>\$8,344,690</u>

A review of the above table reveals a great deal of comparability between the two fiscal years. The table also demonstrates that only several of the School District's programs benefit significantly from program revenues. Approximately 93 percent of the non-instructional programs were covered by program revenues, which is almost entirely a cafeteria operation. These revenues are made up of lunch sales and federal and state subsidies for cafeteria operations. About 42 percent of extracurricular activities costs are paid for through admission charges for athletic events as well as from music or drama productions.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The excess of revenues over expenditures in the General Fund balance led to a \$1.4 million increase in fund balance.

The Uniform School Supplies enterprise fund had a 12 percent increase in net assets as sales exceed the cost of sales.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

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

During fiscal year 2008, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget and from the final budget to actual revenues were not significant. The same can be said for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$14,382,608 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of less than 1 percent from the prior fiscal year. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

Debt

At June 30, 2008, the School District had outstanding general obligation bonds, in the amount of \$9,085,130. These bonds will not be fully retired until fiscal year 2021. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

Current Issues

The Van Buren Local School District is a rural school district located in northern Hancock County. The School District serves nine hundred seventy-eight students and employs sixty-six teachers. The school District has historically received less than 10 percent of its total operating revenue from the State foundation formula for school funding. Rather, the School District receives the majority of its funding from its local tax base, which has a present assessed valuation of \$234,381,753. This valuation has shown a small decrease over the past three years.

For the past several years, the School District's revenues have exceeded expenses. Lower valuations and other economic factors will challenge this in the near future. The emergency levy was renewed in 2008 for four additional years. Renewal of a 4.5 mill operating levy and 1.5 mill permanent improvement levy in 2009 for collection in 2010 is vital to the financial stability of the School District. Our student population has increased again for the 2009 school year, just as it has for the past several years. Our student population and open enrollment population will need to be monitored closely as adding additional staff would add a strain to the budget.

New three-year contracts with a 3 percent increase in the base salary for the 2008-2009 school year, 3 percent in the 2009-2010 school year, and 2.5 percent in 2010-2011 school year for both the teaching staff and classified staff were approved in 2008. Concessions were made by both unions to increase insurance premium contributions by staff on single coverage policies. Staffing levels will need to be monitored closely in that, if revenue sources continue to decline, staffing levels may need to be adjusted accordingly to meet contract obligations.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Loss of tangible personal property tax continues to have the biggest effect on our budget. The elimination of this tax and the diminishing reimbursement from the State through 2018 could have a devastating effect on our School District. While the elimination of the County Road 99 TIF, estimated to end in 2012, should help to offset some of this loss, continued reimbursement from the State for the loss of this tax or a restructuring of school financing as the Governor has promised may be necessary if we are to avoid asking the voters for additional revenue.

Capital improvements include completion of the access control system in the high school/middle school and the repaving and improvement to the main parking lot on the west side of the high school. Another project currently getting underway is the replacement of the home side bleachers at the football stadium. Increasing school safety and security will be a priority for the School District. Renewal of the permanent improvement levy is vital to the continuation of these projects.

The school and community are currently in the process of developing a strategic plan for the future of the School District. This plan will address finances, facilities, curriculum, technology, and other issues which will impact the School District's financial picture.

Contacting the School District's Financial Management

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Net Assets
June 30, 2008**

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$6,542,741	\$75,014	\$6,617,755
Accounts Receivable	823	2,497	3,320
Intergovernmental Receivable	16,004		16,004
Prepaid Items	9,252		9,252
Inventory Held for Resale	1,984	9,976	11,960
Materials and Supplies Inventory	8,653		8,653
Property Taxes Receivable	6,994,628		6,994,628
Payment in Lieu of Taxes Receivable	2,569,820		2,569,820
Nondepreciable Capital Assets	175,927		175,927
Depreciable Capital Assets, Net	14,206,681		14,206,681
Total Assets	30,526,513	87,487	30,614,000
<u>Liabilities:</u>			
Accounts Payable	78,134		78,134
Contracts Payable	17,989		17,989
Accrued Wages and Benefits Payable	631,751		631,751
Intergovernmental Payable	260,149		260,149
Deferred Revenue	6,400,858		6,400,858
Accrued Interest Payable	33,865		33,865
<u>Long-Term Liabilities:</u>			
Due Within One Year	613,819		613,819
Due in More Than One Year	9,009,337		9,009,337
Total Liabilities	17,045,902		17,045,902
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	5,487,608		5,487,608
<u>Restricted For:</u>			
Debt Service	360,366		360,366
Capital Projects	498,919		498,919
Setasides	352,709		352,709
Other Purposes	119,300		119,300
Unrestricted	6,661,709	87,487	6,749,196
Total Net Assets	\$13,480,611	\$87,487	\$13,568,098

See Accompanying Notes to Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2008**

	Expenses	Program Revenues		
		Sales and Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$4,542,298	\$426,696	\$45,341	\$16,322
Special	779,516	36,731	311,555	
Vocational	172,166			
Support Services:				
Pupils	341,834		14,000	
Instructional Staff	305,645			
Board of Education	79,888			
Administration	726,383			
Fiscal	379,915			
Operation and Maintenance of Plant	1,137,473			252
Pupil Transportation	521,253		15,469	5,112
Central	25,909			
Non-Instructional Services	276,232	187,119	70,741	
Extracurricular Activities	442,533	134,861	14,401	36,514
Interest and Fiscal Charges	457,888			
Total Governmental Activities	10,188,933	785,407	471,507	58,200
<u>Business-Type Activities:</u>				
Uniform School Supplies	37,562	46,747		
Total	\$10,226,495	\$832,154	\$471,507	\$58,200

General Revenues:

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

Change in Net Assets

Net Assets at Beginning of Year
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$4,053,939)		(\$4,053,939)
(431,230)		(431,230)
(172,166)		(172,166)
(327,834)		(327,834)
(305,645)		(305,645)
(79,888)		(79,888)
(726,383)		(726,383)
(379,915)		(379,915)
(1,137,221)		(1,137,221)
(500,672)		(500,672)
(25,909)		(25,909)
(18,372)		(18,372)
(256,757)		(256,757)
(457,888)		(457,888)
(8,873,819)		(8,873,819)
	9,185	9,185
(8,873,819)	9,185	(8,864,634)
6,296,862		6,296,862
715,853		715,853
292,172		292,172
11,050		11,050
3,026,777		3,026,777
281,827		281,827
29,629		29,629
106,108		106,108
10,760,278		10,760,278
1,886,459	9,185	1,895,644
11,594,152	78,302	11,672,454
<u>\$13,480,611</u>	<u>\$87,487</u>	<u>\$13,568,098</u>

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2008**

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$4,946,831	\$1,229,082	\$6,175,913
Accounts Receivable	700	123	823
Intergovernmental Receivable	15,889	115	16,004
Interfund Receivable	1,750		1,750
Prepaid Items	9,252		9,252
Inventory Held for Resale		1,984	1,984
Materials and Supplies Inventory	8,429	224	8,653
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	366,828		366,828
Property Taxes Receivable	6,010,305	984,323	6,994,628
Payment in Lieu of Taxes Receivable	2,569,820		2,569,820
Total Assets	\$13,929,804	\$2,215,851	\$16,145,655
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$73,959	\$4,175	\$78,134
Contracts Payable		17,989	17,989
Accrued Wages and Benefits Payable	619,589	12,162	631,751
Intergovernmental Payable	250,212	9,937	260,149
Interfund Payable		1,750	1,750
Deferred Revenue	8,185,401	923,438	9,108,839
Total Liabilities	9,129,161	969,451	10,098,612
<u>Fund Balances:</u>			
Reserved for Property Taxes	361,000	61,000	422,000
Reserved for Textbooks	352,709		352,709
Reserved for Bus Purchase	14,119		14,119
Reserved for Encumbrances	77,349	91,032	168,381
Unreserved, Designated for Termination Benefits		272,733	272,733
<u>Unreserved, Undesignated Reported in:</u>			
General Fund	3,995,466		3,995,466
Special Revenue Funds		91,324	91,324
Debt Service Fund		332,471	332,471
Capital Projects Funds		397,840	397,840
Total Fund Balances	4,800,643	1,246,400	6,047,043
Total Liabilities and Fund Balances	\$13,929,804	\$2,215,851	\$16,145,655

See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2008**

Total Governmental Fund Balances \$6,047,043

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. 14,382,608

Other long-term assets are not available to pay for current
period expenditures and, therefore, are deferred in the funds:

Intergovernmental Receivable	\$13,115	
Property Taxes Receivable	171,770	
Payment in Lieu of Taxes Receivable	<u>2,523,096</u>	
		2,707,981

Some liabilities are not due and payable in the current
period and, therefore, are not reported in the funds:

Accrued Interest Payable	(33,865)	
General Obligation Bonds Payable	(9,085,130)	
Compensated Absences Payable	<u>(538,026)</u>	
		<u>(9,657,021)</u>

Net Assets of Governmental Activities \$13,480,611

See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008**

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$6,169,954	\$986,600	\$7,156,554
Payment in Lieu of Taxes	151,222		151,222
Intergovernmental	2,682,363	807,925	3,490,288
Interest	281,827	2,266	284,093
Tuition and Fees	462,427		462,427
Extracurricular Activities	20,034	114,827	134,861
Charges for Services		187,119	187,119
Gifts and Donations	36,223	14,901	51,124
Miscellaneous	68,156	21,997	90,153
Total Revenues	<u>9,872,206</u>	<u>2,135,635</u>	<u>12,007,841</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,272,239	36,734	4,308,973
Special	645,830	114,879	760,709
Vocational	165,846		165,846
Support Services:			
Pupils	145,547	194,940	340,487
Instructional Staff	292,502	6,820	299,322
Board of Education	79,888		79,888
Administration	707,327	161	707,488
Fiscal	353,074	22,897	375,971
Operation and Maintenance of Plant	1,037,277		1,037,277
Pupil Transportation	460,298		460,298
Central	11,222	17,879	29,101
Non-Instructional Services		249,393	249,393
Extracurricular Activities	243,833	162,956	406,789
Capital Outlay		273,555	273,555
Debt Service:			
Principal Retirement		495,000	495,000
Interest and Fiscal Charges		436,135	436,135
Total Expenditures	<u>8,414,883</u>	<u>2,011,349</u>	<u>10,426,232</u>
Excess of Revenues Over Expenditures	<u>1,457,323</u>	<u>124,286</u>	<u>1,581,609</u>
<u>Other Financing Sources (Uses):</u>			
Sale of Capital Assets	2,000		2,000
Transfers In		60,658	60,658
Transfers Out	(60,658)		(60,658)
Total Other Financing Sources (Uses)	<u>(58,658)</u>	<u>60,658</u>	<u>2,000</u>
Changes in Fund Balances	1,398,665	184,944	1,583,609
Fund Balances at Beginning of Year	<u>3,401,978</u>	<u>1,061,456</u>	<u>4,463,434</u>
Fund Balances at End of Year	<u><u>\$4,800,643</u></u>	<u><u>\$1,246,400</u></u>	<u><u>\$6,047,043</u></u>

See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2008**

Changes in Fund Balances - Total Governmental Funds \$1,583,609

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

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

Capital Outlay - Nondepreciable Capital Assets	\$35,377	
Capital Outlay - Depreciable Capital Assets	136,314	
Capital Contributions	42,320	
Depreciation	<u>(322,015)</u>	(108,004)

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

Proceeds from Sale of Capital Assets	(2,000)	
Loss on Disposal of Capital Assets	<u>(9,956)</u>	(11,956)

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

Property Taxes	148,333	
Payment in Lieu of Taxes	(140,172)	
Intergovernmental	115	
Tuition and Fees	<u>1,000</u>	9,276

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets. 495,000

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

Annual Accretion	(23,326)	
Accrued Interest Payable	<u>1,573</u>	(21,753)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (59,713)

Change in Net Assets of Governmental Activities \$1,886,459

See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$6,116,814	\$6,111,667	\$6,017,954	(\$93,713)
Payment in Lieu of Taxes	75,000	75,000	104,498	29,498
Intergovernmental	2,498,217	2,567,610	2,682,363	114,753
Interest	152,836	152,836	281,827	128,991
Tuition and Fees	115,000	115,000	462,427	347,427
Extracurricular Activities	24,500	24,500	20,034	(4,466)
Gifts and Donations	5,500	5,500	36,223	30,723
Miscellaneous	16,000	19,400	64,105	44,705
Total Revenues	9,003,867	9,071,513	9,669,431	597,918
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	4,376,882	4,371,981	4,240,007	131,974
Special	625,684	713,984	705,314	8,670
Vocational	193,396	193,396	164,670	28,726
Support Services:				
Pupils	159,497	160,097	144,580	15,517
Instructional Staff	321,351	321,351	292,889	28,462
Board of Education	83,480	97,150	89,085	8,065
Administration	736,537	738,587	694,923	43,664
Fiscal	424,733	421,333	354,115	67,218
Operation and Maintenance of Plant	1,184,942	1,103,123	1,060,968	42,155
Pupil Transportation	535,014	526,514	487,441	39,073
Central	35,930	35,930	11,222	24,708
Extracurricular Activities	279,061	279,061	233,310	45,751
Capital Outlay	5,100	5,100		5,100
Total Expenditures	8,961,607	8,967,607	8,478,524	489,083
Excess of Revenues Over Expenditures	42,260	103,906	1,190,907	1,087,001
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets			2,000	2,000
Refund of Prior Year Expenditures			1,397	1,397
Transfers Out	(70,000)	(70,000)	(60,658)	9,342
Total Other Financing Sources (Uses)	(70,000)	(70,000)	(57,261)	12,739
Changes in Fund Balance	(27,740)	33,906	1,133,646	1,099,740
Fund Balance at Beginning of Year	3,889,745	3,889,745	3,889,745	
Prior Year Encumbrances Appropriated	141,735	141,735	141,735	
Fund Balance at End of Year	\$4,003,740	\$4,065,386	\$5,165,126	\$1,099,740

See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Fund Net Assets
Enterprise Funds
June 30, 2008**

	Uniform School Supplies	Other Enterprise	Total Enterprise Funds
<u>Assets:</u>			
<u>Current Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$74,452	\$562	\$75,014
Accounts Receivable	2,497		2,497
Inventory Held for Resale	9,976		9,976
	\$86,925	\$562	\$87,487
<u>Net Assets:</u>			
Unrestricted	\$86,925	\$562	\$87,487

See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Enterprise Funds
For the Fiscal Year Ended June 30, 2008**

	Uniform School Supplies	Other Enterprise	Total Enterprise Funds
<u>Operating Revenues:</u>			
Sales	\$46,747		\$46,747
<u>Operating Expenses:</u>			
Cost of Sales	37,562		37,562
Net Income	9,185		9,185
Net Assets at Beginning of Year	77,740	\$562	78,302
Net Assets at End of Year	\$86,925	\$562	\$87,487

See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2008**

	Uniform School Supplies	Other Enterprise	Total Enterprise Funds
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$48,879		\$48,879
Cash Payments to Suppliers	(41,750)		(41,750)
Net Increase in Cash and Cash Equivalents	7,129		7,129
Cash and Cash Equivalents at Beginning of Year	67,323	\$562	67,885
Cash and Cash Equivalents at End of Year	\$74,452	\$562	\$75,014
 <u>Reconciliation of Net Income</u>			
<u>to Net Cash Provided by Operating Activities:</u>			
Net Income	\$9,185		\$9,185
 <u>Adjustments to Reconcile Net Income</u>			
<u>to Net Cash Provided by Operating Activities:</u>			
<u>Changes in Assets and Liabilities:</u>			
Decrease in Accounts Receivable	2,132		2,132
Increase in Inventory Held for Resale	(4,188)		(4,188)
Net Cash Provided by Operating Activities	\$7,129		\$7,129

See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2008**

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$24,991</u></u>
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Liabilities:

Due to Students	<u><u>\$24,991</u></u>
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See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1936. The School District serves an area of approximately forty-eight square miles. It is located in Hancock County and includes all of the Village of Van Buren and Allen Township and portions of Cass, Marion, and Portage Townships. The School District is the 484th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by forty-nine classified employees, sixty-six certified teaching personnel, and five administrative employees who provide services to nine hundred seventy-eight students and other community members. The School District currently operates an elementary school and a middle/high school.

Reporting Entity

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

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

The School District is associated with three jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Cooperative Vocational Career Center, Northwestern Ohio Educational Research Council, Inc., Hancock County Schools Insurance Consortium Group Health Plan, and Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities.

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

Fund Financial Statements

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

B. Fund Accounting

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

Governmental Funds

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

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

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

Proprietary Funds

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

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

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

The other proprietary fund of the School District accounts for the activities of adult education.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2008. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

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

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2008, investments consisted of a repurchase agreement, which is reported at cost.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2008 was \$281,827, which includes \$49,972 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials as well as unexpended revenues restricted for bus purchases.

J. Capital Assets

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

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

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	10 - 30 years
Buildings and Building Improvements	6 - 107 years
Furniture, Fixtures, and Equipment	5 - 25 years
Vehicles	5 - 15 years

K. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

L. Compensated Absences

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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.

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2008, the School District did not have any net assets restricted by enabling legislation.

O. Fund Balance Reserves and Designations

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

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

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

P. Operating Revenues and Expenses

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

Q. Capital Contributions

Capital contributions arise from outside contributions of capital assets.

R. Interfund Transactions

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

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

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

S. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES – (CONTINUED)

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this statement for both the State Teachers Retirement System and the School Employees Retirement System postemployment healthcare plans, in the amount of \$23,944 and \$6,237, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING – (CONTINUED)

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

Changes in Fund Balance	
GAAP Basis	\$1,398,665
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2007, Received in Cash FY 2008	211,685
Accrued FY 2008, Not Yet Received in Cash	(413,063)
Expenditure Accruals:	
Accrued FY 2007, Paid in Cash FY 2008	(864,963)
Accrued FY 2008, Not Yet Paid in Cash	943,760
Prepaid Items	4,085
Materials and Supplies Inventory	2,010
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(148,533)
Budget Basis	\$1,133,646

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

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

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Interim monies held by the School District 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end \$6,557,809 of the School District's bank balance of \$6,656,934 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Investments

As of June 30, 2008, the School District’s investments consisted of a repurchase agreement with a fair value of \$25,088 and a maturity date of July 1, 2008.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the School District.

The security underlying the repurchase agreement (Federal Home Loan Mortgage Corporation Bonds) carry a rating of AAA by Moodys. The School District has no investment policy dealing with credit risk beyond the requirements of State statute which require repurchase agreements be limited to investments listed in items 1 and 2 on pages 33 and 34.

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreements are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2008, consisted of accounts (student fees and billings for user charged services), intergovernmental, interfund, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and payment in lieu of taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Payment in lieu of taxes, in the amount of \$2,476,372, will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Various School Districts	\$13,000
Hancock County ESC	2,889
Other Governmental Funds	
Title II-D	115
Total Governmental Activities	\$16,004

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after October 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, is 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2008, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 7 - PROPERTY TAXES – (CONTINUED)

The amount available as an advance at June 30, 2008, was \$361,000 in the General Fund, \$44,000 in the Bond Retirement debt service fund, and \$17,000 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2007, was \$209,000 in the General Fund, \$24,000 in the Bond Retirement debt service fund, and \$10,000 in the Permanent Improvement capital projects fund.

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

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$112,370,110	47.00%	\$122,296,440	52.18%
Industrial/Commercial	64,721,800	27.07	71,353,750	30.44
Public Utility	8,550,970	3.58	7,768,290	3.31
Tangible Personal	53,466,993	22.35	32,963,273	14.07
Total Assessed Value	<u>\$239,109,873</u>	<u>100.00%</u>	<u>\$234,381,753</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.34		\$40.58	

NOTE 8 - PAYMENT IN LIEU OF TAXES

According to State law, the City of Findlay has entered into agreements with a number of property owners under which the City has granted property tax abatements to those property owners. The property owners have agreed to make payments to the City which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been abated. The agreements provide for a portion of these payments to be made to the School District. The payment is received annually as an agreed upon flat amount per year. The agreements are for a thirty year period. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$154,779			\$154,779
Construction in Progress	3,200	\$45,377	(\$27,429)	21,148
Total Nondepreciable Capital Assets	<u>157,979</u>	<u>45,377</u>	<u>(27,429)</u>	<u>175,927</u>
Depreciable Capital Assets				
Land Improvements	\$422,500	\$3,625		\$426,125
Buildings and Building Improvements	15,019,789	37,894		15,057,683
Furniture, Fixtures, and Equipment	1,057,647	154,544	(\$59,101)	1,153,090
Vehicles	1,015,080			1,015,080
Total Depreciable Capital Assets	<u>17,515,016</u>	<u>196,063</u>	<u>(59,101)</u>	<u>17,651,978</u>
Less Accumulated Depreciation				
Land Improvements	(111,198)	(21,595)		(132,793)
Buildings and Building Improvements	(1,845,925)	(175,805)		(2,021,730)
Furniture, Fixtures, and Equipment	(590,271)	(69,170)	47,145	(612,296)
Vehicles	(623,033)	(55,445)		(678,478)
Total Accumulated Depreciation	<u>(3,170,427)</u>	<u>(322,015)</u>	<u>47,145</u>	<u>(3,445,297)</u>
Depreciable Capital Assets, Net	<u>14,344,589</u>	<u>(125,952)</u>	<u>(11,956)</u>	<u>14,206,681</u>
Governmental Activities Capital Assets, Net	<u>\$14,502,568</u>	<u>(\$80,575)</u>	<u>(\$39,385)</u>	<u>\$14,382,608</u>

During fiscal year 2008, the School District accepted contributions of nondepreciable capital assets with a fair value of \$10,000 and depreciable capital assets with a fair value of \$32,320.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 9 - CAPITAL ASSETS – (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$130,922
Special	11,209
Vocational	6,320
Support Services:	
Pupils	1,347
Instructional Staff	4,698
Administration	14,275
Fiscal	3,058
Operation and Maintenance of Plant	21,822
Pupil Transportation	60,950
Non-Instructional Services	26,440
Extracurricular Activities	40,974
Total Depreciation Expense	<u>\$322,015</u>

NOTE 10 - INTERFUND ASSETS/LIABILITIES

At June 30, 2008, the General Fund had an interfund receivable, in the amount of \$1,750, from other governmental funds for short-term loans made to those funds.

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted for the following insurance coverage:

Coverage provided by the Netherlands Insurance Company is as follows:

General School District Liability	
Per Occurrence	\$1,000,000
Aggregate	2,000,000
Umbrella Liability	4,000,000
Building and Contents	39,713,427
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 11 - RISK MANAGEMENT – (CONTINUED)

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

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

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, was \$471,547, \$428,338, and \$399,635 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DCP and CP for fiscal year 2008 were \$4,448 made by the School District and \$8,088 made by the plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 was \$94,441, \$99,621, and \$92,292 respectively; 44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2008, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006, was \$36,615, \$33,264, and \$31,297 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2008, this amount was \$58,648.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006, was \$43,097, 33,074, and \$32,208 respectively; 44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2008, this actuarially required allocation was .66 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, was \$6,805, \$6,774, and \$7,346 respectively; 44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

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

	<u>Sick Days Accumulated</u>	<u>Sick Days Paid Upon Retirement</u>
Administrators	245	61.25
Certified Employees	245	61.25
Classified Employees	unlimited	53

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 14 - OTHER EMPLOYEE BENEFITS – (CONTINUED)

B. Health Care Benefits

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

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08	Amounts Due Within One Year
General Obligation Bonds					
2001 School Facilities Construction and Improvement					
Serial Bonds 3.3 - 4.45%	\$2,810,000		\$495,000	\$2,315,000	\$540,000
Term Bonds 5 - 5.25%	6,240,000			6,240,000	
Capital Appreciation Bonds - 5.94%	340,000			340,000	
Accretion on Capital Appreciation Bonds	166,804	\$23,326		190,130	
Total 2001 School Facilities Construction and Improvement	9,556,804	23,326	495,000	9,085,130	540,000
Compensated Absences Payable	478,313	59,713		538,026	73,819
Total Governmental Activities Long-Term Liabilities	<u>\$10,035,117</u>	<u>\$83,039</u>	<u>\$495,000</u>	<u>\$9,623,156</u>	<u>\$613,819</u>

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

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS – (CONTINUED)

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

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

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

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

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

The capital appreciation bonds are not subject to redemption prior to maturity. The capital appreciation bonds will mature on December 1, 2009, in the amount of \$565,000. For fiscal year 2008, \$23,326 was accreted on the capital appreciation bonds for a total outstanding bond value of the capital appreciation bonds of \$530,130 at fiscal year end.

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

The School District's overall debt margin was \$8,924,026 with an unvoted debt margin of \$193,806 at June 30, 2008.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS – (CONTINUED)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2008, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Interest	Total
	Serial	Term	Capital		
2009	\$540,000			415,300	955,300
2010			340,000	629,365	969,365
2011	565,000			390,240	955,240
2012	590,000			361,365	951,365
2013	620,000			332,820	952,820
2014-2018		3,605,000		1,141,863	4,746,863
2019-2021		2,635,000		201,875	2,836,875
	<u>\$2,315,000</u>	<u>\$6,240,000</u>	<u>\$340,000</u>	<u>\$3,472,828</u>	<u>\$12,367,828</u>

NOTE 16 - SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2008.

	Textbooks	Capital Improvements
Balance June 30, 2007	\$290,715	
Current Year Set Aside Requirement	144,536	\$144,536
Current Year Offsets		(\$144,536)
Qualifying Expenditures	(82,542)	
Reserve Balance June 30, 2008	<u>\$352,709</u>	<u></u>

NOTE 17 - INTERFUND TRANSFERS

During fiscal year 2008, the General Fund made transfers to other governmental funds, in the amount of \$60,658, to set aside resources for the future payment of termination benefits.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2008, the School District paid \$17,904 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Cooperative Vocational Career Center

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

C. Northwestern Ohio Educational Research Council, Inc.

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

NOTE 19 - INSURANCE POOLS

A. Hancock County Schools Insurance Consortium Group Health Plan

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 19 - INSURANCE POOLS – (CONTINUED)

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

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

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

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

NOTE 20 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any 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, 2008.

B. Litigation

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



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Van Buren Local School District
Hancock County
217 South Main Street
P.O. Box 229
Van Buren, Ohio 45889-0229

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, (the School District) as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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www.auditor.state.oh.us

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated March 5, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 5, 2009



Mary Taylor, CPA
Auditor of State

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 26, 2009**