



**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Mary Taylor, CPA
Auditor of State

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vanlue Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Vanlue Local School District, Hancock County, Ohio, as of June 30, 2009, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the Governmental Accounting Standards Board 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 10, 2009

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

The discussion and analysis of the Vanlue Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2009 are as follows:

- In total, net assets increased \$551,971 which is an increase of 42 percent from fiscal year 2008. This increase is due to a concerted effort to decrease expenditures.
- General revenues accounted for \$3,022,451 or 84 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and capital grants accounted for \$555,807 or 16 percent of total revenues of \$3,578,258.
- The District's major funds were the General and Permanent Improvement Funds. The General Fund had \$3,242,340 in revenues and other financing sources and \$2,723,320 in expenditures and other financing uses. The General Fund's balance increased \$519,020 from the prior fiscal year.
- The Permanent Improvement Fund pays disbursements dealing with the general permanent improvements. The Permanent Improvement Fund had \$86,618 in receipts and \$31,108 in disbursements. The Permanent Improvement Fund's balance increased \$55,510 from the prior fiscal year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Districts cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities reflect how the District did financially during 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, all of the District activities are presented as governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services, food services, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs.

The District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental funds are the General and Permanent Improvement Fund.

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

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2009 compared to fiscal year 2008.

**Table 1
Net Assets
Governmental Activities**

	<u>2009</u>	<u>2008</u>
<u>Assets:</u>		
Current Assets	<u>\$1,863,012</u>	<u>\$1,311,041</u>
<u>Net Assets:</u>		
Restricted	397,021	335,555
Unrestricted	<u>1,465,991</u>	<u>975,486</u>
Total	<u>\$1,863,012</u>	<u>\$1,311,041</u>

Table 2 reflects the changes in net assets for fiscal year 2009 compared to fiscal year 2008.

**Table 2
Change in Net Assets
Governmental Activities**

	<u>2009</u>	<u>2008</u>
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$375,139	\$360,382
Operating Grants, Contributions and Interest	162,223	177,023
Capital Grants and Contributions	<u>18,445</u>	<u>16,775</u>
Total Program Revenues	<u>555,807</u>	<u>554,180</u>
General Revenues:		
Property Taxes	910,100	908,543
Income Taxes	410,926	398,960
Unrestricted Grants and Entitlements	1,644,486	1,660,041
Interest	43,639	60,868
Gifts and Donations	3,846	5,288
Miscellaneous	<u>9,454</u>	<u>17,172</u>
Total General Revenues	<u>3,022,451</u>	<u>3,050,872</u>
Total Revenues	<u>3,578,258</u>	<u>3,605,052</u>

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

<u>Expenses:</u>		
Instruction	1,717,050	1,816,716
Support Services:		
Pupils	98,774	107,355
Instructional Staff	89,171	88,125
Board of Education	35,127	36,389
Administration	267,379	297,002
Fiscal	128,638	133,543
Operation and Maintenance of Plant	287,123	490,436
Pupil Transportation	137,556	171,594
Central	39,485	35,034
Non-Instructional	90	276
Operation of Food Services	94,971	107,941
Extracurricular Activities	116,468	133,371
Debt Service Principal	14,206	14,206
Interest and Fiscal Charges	249	746
Total Expenses	<u>3,026,287</u>	<u>3,432,734</u>
Increase in Net Assets	<u>\$551,971</u>	<u>\$172,318</u>

Program receipts account for 16 percent of total receipts and are primarily represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 57 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for over 11 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 9 percent. Therefore, over 77 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes, grants and entitlements.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities – cash basis reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3				
Governmental Activities				
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2009	2009	2008	2008
Instruction	\$1,717,050	\$1,299,329	\$1,816,716	\$1,416,852
Support Services:				
Pupils	98,774	93,774	107,355	102,355
Instructional Staff	89,171	89,171	88,125	88,125
Board of Education	35,127	35,127	36,389	36,389
Administration	267,379	267,379	297,002	297,002
Fiscal	128,638	128,638	133,543	133,543
Operation and Maintenance of Plant	287,123	274,639	490,436	479,315

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

Pupil Transportation	137,556	131,595	171,594	165,940
Central	39,485	39,485	35,034	35,034
Non-Instructional	90	90	276	276
Operation of Food Services	94,971	14,880	107,941	20,199
Extracurricular Activities	116,468	81,918	133,371	88,572
Debt Service Principal	14,206	14,206	14,206	14,206
Interest and Fiscal Charges	249	249	746	746
Total Expenses	<u>\$3,026,287</u>	<u>\$2,470,480</u>	<u>\$3,432,734</u>	<u>\$2,878,554</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. 76 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 82 percent.

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental funds are the General and Permanent Improvement Fund. Total governmental funds had revenues and other financing sources of \$3,578,258 and expenditures and other financing uses of \$3,026,287. The net positive change of \$551,971 in fund balance for the year indicates that the District was able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2009, the District amended its General Fund budget as needed. Final budgeted receipts and other financing sources, in the amount of \$3,195,394, were below actual receipts and other financing sources of \$3,242,340. The difference of \$46,946 between final budgeted receipts and actual receipts was less than 2 percent.

Final expenditures and other financing uses were budgeted at \$3,166,130 while actual expenditures and other financing uses were \$2,805,041. The \$361,089 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Debt Administration

During fiscal year 2009, the District retired an Energy Conservation Improvement Bond for building improvements. The bond was issued for a five-year period, with final maturity on December 1, 2008.

Current Issues

The District is facing tough financial times in the state of a declining economy and uncertainty in State funding. Vanlue is a small rural community of 1,500 people in Northwest Ohio. Agriculture is the primary contributing influence on the economy.

The District is currently operating in the second year of the state biennium budget. 45.5 percent of District revenue sources is from local funds, 50.3 percent is from state funds and the remaining 4.2 percent is from federal funds. The total expenditure per pupil was calculated at \$10,237 for fiscal year 2008 (latest information available).

Over the past several years District voters have supported the school with the passage of a number of school levies. In November of 2005 the 4 mill permanent improvement levy was renewed for a continuing period of time, at that same time the voters also renewed the 1.00% income tax levy for an additional five years. In May of 2009, two emergency levies were combined and renewed for a period of ten years at 10.6 mills.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the 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 Tracy Hiller, Treasurer, Vanlue Local School District, 301 South East Street, PO Box 250, Vanlue, Ohio 45890-0250.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2009**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,863,012</u>
NET ASSETS	
Restricted for:	
Capital Projects	167,275
Other Purposes	148,199
Set-Asides	81,547
Unrestricted	<u>1,465,991</u>
Total Net Assets	<u>\$ 1,863,012</u>

See accompanying notes to the Basic Financial Statements.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2009**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
				Governmental Activities	
Governmental Activities					
Instruction:					
Regular	\$ 1,268,076	\$ 236,600	\$ 47,120	\$ (984,356)	
Special	353,264	43,950	71,688	(237,626)	
Vocational	95,710		18,363	(77,347)	
Support Services:					
Pupils	98,774		5,000	(93,774)	
Instructional Staff	89,171			(89,171)	
Board of Education	35,127			(35,127)	
Administration	267,379			(267,379)	
Fiscal	128,638			(128,638)	
Operation and Maintenance of Plant	287,123			(274,639)	
Pupil Transportation	137,556			(131,595)	
Central	39,485			(39,485)	
Operation of Non-Instructional Services	90			(90)	
Operation of Food Services	94,971	60,039	20,052	(14,880)	
Extracurricular Activities	116,468	34,550		(81,918)	
Debt Service:					
Principal	14,206			(14,206)	
Interest and Fiscal Charges	249			(249)	
Totals	\$ 3,026,287	\$ 375,139	\$ 162,223	\$ 18,445	(2,470,480)
General Receipts					
Taxes:					
Income Taxes				410,926	
Property and Other Local Taxes				910,100	
Grants and Entitlements not Restricted to Specific Programs				1,644,486	
Gifts and Donations				3,846	
Investment Earnings				43,639	
Miscellaneous				7,279	
Other Receipts:					
Sale of Asset				1,000	
Rent				335	
Refund of Prior Year Expenditures				840	
				840	
Total General Receipts				3,022,451	
Change in Net Assets				551,971	
Net Assets Beginning of Year				1,311,041	
Net Assets End of Year				\$ 1,863,012	

See accompanying notes to the Basic Financial Statements.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,568,621	\$ 167,275	\$ 127,116	\$ 1,863,012
 FUND BALANCES:				
Reserved for:				
Encumbrances	\$ 81,721	\$ 313	\$ 5,185	\$ 87,219
Bus Purchases	21,083			21,083
Textbooks	74,826			74,826
Unreserved:				
Designated for Termination Benefits			89,788	89,788
Undesignated, Reported in:				
General Fund	1,390,991			1,390,991
Special Revenue Funds			32,143	32,143
Capital Projects Funds		166,962		166,962
Total Fund Balances	\$ 1,568,621	\$ 167,275	\$ 127,116	\$ 1,863,012

See accompanying notes to the Basic Financial Statements.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS				
Property and Other Local Taxes	\$ 828,656	\$ 74,134	\$ 7,310	\$ 910,100
Income Tax	410,926			410,926
Intergovernmental	1,668,810	12,484	143,686	1,824,980
Interest	43,639		174	43,813
Tuition and Fees	280,550			280,550
Rent	335			335
Extracurricular Activities			34,550	34,550
Gifts and Donations	305		3,541	3,846
Charges for Services			60,039	60,039
Miscellaneous	7,279			7,279
<i>Total Receipts</i>	<u>3,240,500</u>	<u>86,618</u>	<u>249,300</u>	<u>3,576,418</u>
DISBURSEMENTS				
Instruction:				
Regular	1,247,803	3,447	16,826	1,268,076
Special	314,989		38,275	353,264
Vocational	95,710			95,710
Support Services:				
Pupils	45,971		52,803	98,774
Instructional Staff	78,827		10,344	89,171
Board of Education	35,127			35,127
Administration	263,314		4,065	267,379
Fiscal	123,609	4,334	695	128,638
Operation and Maintenance of Plant	263,796	23,327		287,123
Pupil Transportation	137,556			137,556
Central	34,485		5,000	39,485
Operation of Food Services			94,971	94,971
Extracurricular Activities	82,121		34,347	116,468
Debt Service				
Principal			14,206	14,206
Interest			249	249
<i>Total Disbursements</i>	<u>2,723,308</u>	<u>31,108</u>	<u>271,781</u>	<u>3,026,197</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>517,192</u>	<u>55,510</u>	<u>(22,481)</u>	<u>550,221</u>
OTHER FINANCING SOURCES (USES)				
Refund of Prior Year Receipts	(12)		(78)	(90)
Refund of Prior Year Expenditures	840			840
Sale of Assets	1,000			1,000
<i>Total Other Financing Sources (Uses)</i>	<u>1,828</u>		<u>(78)</u>	<u>1,750</u>
<i>Net Change in Fund Balances</i>	519,020	55,510	(22,559)	551,971
<i>Fund Balance at Beginning of Year</i>	1,049,601	111,765	149,675	1,311,041
<i>Fund Balance at End of Year</i>	<u>\$ 1,568,621</u>	<u>\$ 167,275</u>	<u>\$ 127,116</u>	<u>\$ 1,863,012</u>

See accompanying notes to the Basic Financial Statements.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property and Other Local Taxes	\$ 815,233	\$ 822,262	\$ 828,656	\$ 6,394
Income Tax	398,960	410,000	410,926	926
Intergovernmental	1,558,880	1,637,836	1,668,810	30,974
Interest	58,247	43,861	43,639	(222)
Tuition and Fees	234,378	272,190	280,550	8,360
Rent	145	145	335	190
Gifts and Donations	1,518		305	305
Miscellaneous	567	7,100	7,279	179
Total Revenues	3,067,928	3,193,394	3,240,500	47,106
EXPENDITURES				
Current:				
Instruction:				
Regular	1,415,700	1,321,214	1,254,831	66,383
Special	403,560	397,696	329,169	68,527
Vocational	90,000	103,100	95,710	7,390
Support Services:				
Pupils	48,492	52,042	46,496	5,546
Instructional Staff	91,497	89,563	78,827	10,736
Board of Education	36,645	46,980	38,694	8,286
Administration	302,883	293,752	268,122	25,630
Fiscal	145,080	136,259	125,084	11,175
Operation and Maintenance of Plant	465,572	360,872	295,175	65,697
Pupil Transportation	211,441	214,196	154,810	59,386
Central	42,617	45,522	34,706	10,816
Extracurricular Activities	95,039	94,434	83,405	11,029
Total Expenditures	3,348,526	3,155,630	2,805,029	350,601
Excess of Revenues Over (Under) Expenditures	(280,598)	37,764	435,471	397,707
OTHER FINANCING SOURCES (USES):				
Refund of Prior Year Receipts	(1,500)	(500)	(12)	488
Refund of Prior Year Expenditures	14,717	1,000	840	(160)
Sale and Loss of Assets		1,000	1,000	
Advances In	23,500			
Transfers In				
Transfers Out	(45,000)	(10,000)		10,000
Advances Out	(23,500)			
Total Other Financing Sources (Uses)	(31,783)	(8,500)	1,828	10,328
Net Change in Cash Basis Fund Balances	(312,381)	29,264	437,299	408,035
Fund Balance at Beginning of Year	997,566	997,566	997,566	
Prior Year Encumbrances Appropriated	52,035	52,035	52,035	
Fund Balance at End of Year	\$ 737,220	\$ 1,078,865	\$ 1,486,900	\$ 408,035

See accompanying notes to the Basic Financial Statements.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2009**

	Private Purpose Trust	Agency
ASSETS		
Current Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 22	\$ 15,910
 NET ASSETS		
Held in Trust for Scholarships	\$ 22	
Held for Student Activities		\$ 15,910

See accompanying notes to the Basic Financial Statements.

VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust</u>
Net assets beginning of year	\$ <u>22</u>
Net assets end of year	\$ <u><u>22</u></u>

See accompanying notes to the Basic Financial Statements.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Vanlue Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The board oversees the operations of the District's one instructional/support facility staffed by 17 classified employees and 25 certified teaching personnel, who provide services to 260 students and other community members.

The Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 30, "Determining Whether Certain Organizations are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food services, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statement of the reporting entity includes only those of the District (the primary government).

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative

The 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 elected by majority vote of all charter member school districts within each county. Financial information can be obtained from Ray Burden, who serves as director, 645 South Main Street, Lima, Ohio 45804.

Millstream Career and Technology Center

The Millstream Career and Technology Center (the Center) is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Center provides vocational instruction to students. The Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative from the Findlay City School District. The Treasurers

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

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 Treasurer, 227 South West Street, Findlay, Ohio 45840-3377.

Hancock County Local Professional Development Committee

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

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.

PUBLIC ENTITY RISK POOLS

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The SORSA's business and affairs are conducted by a board consisting of nine Superintendents and Treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishes agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

Ohio School Board Association Workers' Compensation Group Rating Plan

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

The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

Hancock County Schools Health Benefit Fund

The Hancock County Schools Health Benefit Fund (the Fund) is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The Fund 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 participants. The Administrative Committee of the Fund consists of the superintendent from each participating member. The Administrative Committee advises the trustee, Huntington Bank, concerning aspects of the administration of the Fund.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.D, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of government-wide 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

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

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into the categories governmental and fiduciary.

Governmental Funds

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

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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Fund – The Permanent Improvement Fund is used to account for the revenue from the levy passed for general permanent improvements.

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

Fiduciary Funds

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 District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. Agency funds are custodial in nature. The District's agency fund accounts for various student-managed activities.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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

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

E. Cash and Investments

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

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the 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.

During 2009, the School District invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$43,639, which includes \$8,293 assigned from other District funds.

F. Restricted Assets

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

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postemployment health care benefits.

K. Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes.

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

M. Fund Balance Reserves

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation for termination benefits represents money set aside by the Board of Education for future payment of termination benefits. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, bus purchases, and textbooks.

3. COMPLIANCE

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

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$81,721 in the General fund.

5. DEPOSITS AND INVESTMENTS

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

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

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

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

5. DEPOSITS AND INVESTMENTS (Continued)

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 accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase 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 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.

A. Deposits

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$920,590 of the District's bank balance of \$1,672,915 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirement could potentially subject the District to a successful claim by the FDIC.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

5. DEPOSITS AND INVESTMENTS (Continued)

The District has no deposit policy for custodial 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 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 one hundred five percent of the deposits being secured.

B. Investments

As of June 30, 2009, the investment with Star Ohio was \$229,805. The District's investments in STAR Ohio have an average maturity of 58 days. STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the 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, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes for calendar year 2009 were levied after April 1, 2008, 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 real and tangible personal property taxes received in calendar year for 2009 were levied after April 1, 2008, on the assessed values as of December 31, 2007, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008, on the value as of December 31, 2008. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 22 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Hancock, Seneca, and Wyandot Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The amount available as an advance can vary based on the date the tax bills are sent.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

6. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$28,148,200	94%	\$28,989,340	94%
Industrial/Commercial	870,430	3%	854,220	3%
Public Utility	739,830	2%	735,790	2%
Tangible Personal	305,410	1%	55,957	1%
Total Assessed Value	<u>\$30,063,870</u>	<u>100%</u>	<u>\$30,635,307</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$46.89		\$46.89	

7. INCOME TAX

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

8. RISK MANAGEMENT

A. Comprehensive

The 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 2009, the District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with SORSA for insurance coverage and pays annual premiums to SORSA based on the types and limits of coverage and deductibles selected by the participant.

Coverage provided is as follows:

Buildings and Contents	\$11,993,668
General Liability	
Per Occurrence	1,000,000-4,000,000
Aggregate	6,000,000
Automobile Liability	4,000,000

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

B. Workers' Compensation

The District participates in the Ohio School Board Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. Participants in the Plan are placed on tiers according to their loss history. Participants with low loss histories are rewarded with

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

8. RISK MANAGEMENT (Continued)

greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its Plan tier rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Gates McDonald provides administrative, cost control, assistance with safety programs, and actuarial services to the Plan.

C. Health Insurance

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

9. PENSION PLANS

A. State Teachers Retirement System

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 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 (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or 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 DC Plan 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, 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 DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan 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 DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

9. PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007, were \$132,970, \$137,001 and \$135,577, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$382 made by the School District and \$909 made by the plan members.

B. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer pension 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 publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 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. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$37,706, \$40,149, and \$43,974 respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

10. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The District contributes to the cost sharing multiple employer defined benefit Health 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 the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

10. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008 and 2007 were \$10,258, \$10,556 and \$10,497 respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. School Employees Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated 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 the System 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 SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each 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 2009, 4.16 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 2009, this amount was \$8,296.

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 District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$17,256, \$18,321 and \$14,599 respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$3,111, \$2,893 and \$2,990 respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

11. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred eighty-five days for teachers and one hundred eighty for non-teaching personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of thirty days. Teachers receive an additional severance payment, of up to thirty days, for accumulated sick leave in excess of one hundred eighty-five days.

B. Health Care Benefits

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

12. LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2009 were as follows:

	Balance at 6/30/08	Additions	Deductions	Balance at 6/30/09	Due Within One Year
Energy Conservation Improvement Bond	\$14,206		\$14,206		

These bonds were retired from proceeds of tax levy and were paid from the Bond Retirement Fund.

13. SET-ASIDE CALCULATIONS AND FUND RESERVES

The 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

13. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks and capital acquisitions for fiscal year 2009

	Textbooks	Capital Acquisition
Balance as of June 30, 2008	\$58,993	
Current Year Set-aside Requirement	45,978	\$45,978
Current Year Offsets		(45,978)
Qualifying Disbursements	(23,424)	
Total	81,547	
Less: Encumbrances at June 30, 2009	(6,721)	
Reserve Balance as of June 30, 2009	\$74,826	

14. CONTINGENCIES

A. Grants

The 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 District at June 30, 2009.

B. Litigation

There are currently no matters in litigation with the 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*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vanlue Local School District, Hancock County, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 2009, wherein, we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 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 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 District's internal control will not prevent or detect a material financial statement misstatement.

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 a certain matter that we reported to the District's management in a separate letter dated November 10, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the 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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

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



Mary Taylor, CPA
Auditor of State

November 10, 2009

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Noncompliance Finding

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in a cash format which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. We recommend the District prepare its statements in accordance with accounting principles generally accepted in the United States of America.

Officials Response:

We did not receive a response from Officials to this finding.

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(B) for not filing GAAP financial statements.	No	Reissued in this report as finding 2009-001.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Vanlue Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on January 15, 2001 and re-adopted the policy at its meeting on April 16, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for documenting any prohibited incident that is reported;
 - (4) A procedure for responding to and investigating any reported incident;
 - (5) A procedure for reporting prohibited incidents;

- (6) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (7) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):
- (1) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
 - (2) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (3) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Mary Taylor, CPA
Auditor of State

November 10, 2009



Mary Taylor, CPA
Auditor of State

**VANLUE LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 1, 2009**