



Dave Yost • Auditor of State



**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Van Buren Local School  
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 major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2010, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, Ohio, as of June 30, 2010, and the respective changes in financial position 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 May 11, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

May 11, 2011

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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The discussion and analysis of Van Buren Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. 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 2010 were as follows:

Net assets for governmental activities increased \$1,058,553, or 8 percent. This was the sixth year in a row that revenues have exceeded expenses.

General revenues were \$9,936,130, or 85 percent of all governmental activities revenues and demonstrate the School District's significant dependence on property taxes and unrestricted State entitlements.

### **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 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, all of the School District's activities are reflected as governmental activities. The programs and services reported here include instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues as well as unrestricted State entitlements.

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Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
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**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 - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide 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.

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2010 and fiscal year 2009:

Table 1 Net Assets			
	Governmental Activities		
	2010	2009	Change
<u>Assets:</u>			
Current and Other Assets	\$15,054,154	\$13,895,824	\$1,158,330
Capital Assets, Net	14,643,035	14,865,617	(222,582)
Total Assets	<u>29,697,189</u>	<u>28,761,441</u>	<u>935,748</u>
<u>Liabilities:</u>			
Current and Other Liabilities	6,997,736	6,787,676	210,060
Long-Term Liabilities	8,713,151	9,046,016	(332,865)
Total Liabilities	<u>15,710,887</u>	<u>15,833,692</u>	<u>(122,805)</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	6,628,035	6,510,617	117,418
Restricted	1,835,252	1,111,208	724,044
Unrestricted	5,523,015	5,305,924	217,091
Total Net Assets	<u>\$13,986,302</u>	<u>\$12,927,749</u>	<u>\$1,058,553</u>

The most significant change reflected in the above table is related to the increase in current and other assets, an increase primarily due to two sources. The first, an increase in cash and cash equivalents reflecting the excess of revenues over expenses for the fiscal year and the other the increase in intergovernmental receivables, the result of additional grant resources obtained through the American Recovery and Reinvestment Act (ARRA). As these increases were largely related to restricted funds, also note the increase in restricted net assets.



Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
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Table 2 reflects the changes in net assets for fiscal year 2010 and fiscal year 2009:

Table 2  
Changes in Net Assets

	Governmental Activities		
	2010	2009	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$1,091,650	\$929,659	\$161,991
Operating Grants, Contributions, and Interest	673,392	414,404	258,988
Capital Grants and Contributions	24,570	59,725	(35,155)
Total Program Revenues	<u>1,789,612</u>	<u>1,403,788</u>	<u>385,824</u>
General Revenues			
Property Taxes	5,789,543	6,905,652	(1,116,109)
Payment in Lieu of Taxes	93,448	95,979	(2,531)
Grants and Entitlements not Restricted to Specific Programs	3,896,051	3,502,093	393,958
Interest	51,799	174,988	(123,189)
Gifts and Donations	24,383	15,623	8,760
Miscellaneous	80,906	90,942	(10,036)
Total General Revenues	<u>9,936,130</u>	<u>10,785,277</u>	<u>(849,147)</u>
Total Revenues	<u>11,725,742</u>	<u>12,189,065</u>	<u>(463,323)</u>
<u>Expenses:</u>			
Instruction:			
Regular	4,830,230	4,546,686	(283,544)
Special	603,768	980,127	376,359
Vocational	194,740	209,468	14,728
Support Services:			
Pupils	700,823	308,830	(391,993)
Instructional Staff	358,007	346,242	(11,765)
Board of Education	50,514	65,411	14,897
Administration	803,165	758,749	(44,416)
Fiscal	386,498	433,443	46,945
Operation and Maintenance of Plant	1,189,645	1,062,412	(127,233)
Pupil Transportation	513,106	464,763	(48,343)
Central	31,972	29,681	(2,291)
Non-Instructional Services	288,227	280,356	(7,871)
Extracurricular Activities	467,204	439,062	(28,142)
Interest and Fiscal Charges	249,290	437,957	188,667
Total Expenses	<u>10,667,189</u>	<u>10,363,187</u>	<u>(304,002)</u>
Decrease in Net Assets	1,058,553	1,825,878	(767,325)
Net Assets at Beginning of Year	<u>12,927,749</u>	<u>11,101,871</u>	<u>1,825,878</u>
Net Assets at End of Year	<u>\$13,986,302</u>	<u>\$12,927,749</u>	<u>\$1,058,553</u>

The above table reflects a 27 percent increase in program revenues. The increase in charges for services is due to additional tuition from open enrollment. The School District's open enrollment increased by 27 students in fiscal year 2010. The increase in operating grants and contributions denotes the additional grant resources the School District obtained through the American Recovery and Reinvestment Act (ARRA). General revenues decreased 8 percent from the prior fiscal year. This is generally due to the reduction in property taxes as the State has eliminated tangible personal property taxes and to lower interest revenues, a reflection of the depressed economy of the past year. However, also note that unrestricted grants and entitlements increased in fiscal year 2010. This was due, in part, to

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Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
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additional State Fiscal Stabilization funds received by the School District (also part of the federal stimulus funding package).

Expenses remained fairly comparable to the prior fiscal year with an increase of less than 3 percent. As to be expected, instruction programs are the School District's largest expense, accounting for 53 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, 79 percent of all of the School District's expenses are directly related to the functions of delivering education and maintaining facilities.

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 charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported primarily from tax revenues.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction:				
Regular	\$4,830,230	\$4,546,686	\$4,013,853	\$3,908,370
Special	603,768	980,127	85,618	696,377
Vocational	194,740	209,468	192,626	208,706
Support Services:				
Pupils	700,823	308,830	693,353	294,830
Instructional Staff	358,007	346,242	358,007	346,242
Board of Education	50,514	65,411	50,514	65,411
Administration	803,165	758,749	803,165	758,749
Fiscal	386,498	433,443	386,498	433,443
Operation and Maintenance of Plant	1,189,645	1,062,412	1,189,645	1,062,412
Pupil Transportation	513,106	464,763	490,747	439,916
Central	31,972	29,681	25,113	29,681
Non-Instructional Services	288,227	280,356	14,260	13,529
Extracurricular Activities	467,204	439,062	324,888	263,776
Interest and Fiscal Charges	249,290	437,957	249,290	437,957
<b>Total Expenses</b>	<b>\$10,667,189</b>	<b>\$10,363,187</b>	<b>\$8,877,577</b>	<b>\$8,959,399</b>

The above table demonstrates that only several of the School District's programs benefit significantly from program revenues. The special instruction program provided for 86 percent of its costs through program revenues; generally grant resources restricted for special instruction purposes (this amount was greater in fiscal year 2010 due to additional ARRA resources). Approximately 95 percent of the non-instructional programs were covered by program revenues, which are almost entirely cafeteria operations. These revenues are made up of lunch sales and federal and state subsidies for cafeteria operations. About 30 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. For fiscal year 2010, the General Fund reflects a modest 3 percent increase in fund balance.

### **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 2010, 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 changes from the original budget to the final budget for expenditures. Actual expenditures were almost 6 percent less than budgeted amounts as savings were realized in most programs and primarily the result of conservative budget practices.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

At the end of fiscal year 2010, the School District had \$14,643,035 invested in capital assets (net of accumulated depreciation). Additions consisted primarily of minor equipment, fencing and gates for the stadium, and land and parking lot improvements. Disposals included a storage building and some small equipment. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

#### **Debt**

At June 30, 2010, the School District had outstanding general obligation bonds, in the amount of \$8,160,300. These bonds will not be fully retired until fiscal year 2021. During fiscal year 2010, the School District advance refunded bonds previously issued for constructing a building addition. This refunding resulted in an accounting loss of \$577,693; however, the School District decreased its aggregated debt service payments by \$417,105 over the life of the debt and obtained an economic gain of \$316,467. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 14 to the basic financial statements.

### **Current Issues**

The Van Buren Local School District is a rural school district located in northern Hancock County. The School District serves nine hundred ninety-six students and employs sixty-seven teachers. The school District receives less than 5 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 \$207,391,940. This valuation is a slight increase over the past several years. This valuation has increased due to the ending of a major tax increment financing agreement (TIF) and the addition of a new Home Depot Warehouse in the School District. It is believed that additional growth could occur in the School District both in business and residential property in relation to the new CSX intermodal being built to the north of the School District in North Baltimore and our access to interstate I-75.

For the past several years, the School District's revenues have exceeded expenses. The current school year's projection shows expenses exceeding revenue. Through good fiscal management, we believe that we can come close to making this year a break-even year. Lower valuations, the State's projected budget deficit, and other economic factors require constant surveillance by the School District. New legislation and funding proposals out of Columbus will also have a major impact on the School District's

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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finances and must be monitored closely. The ending of a major TIF agreement, the ending of a large tax abatement, and the School District's share of the tax abatement for the new Home Depot Warehouse are areas of increased revenue for the School District. It is believed that through these increased revenues and good financial practices the School District would not need to seek additional revenues from the community in the near future though renewal of two levies will be important in the next couple of years. While the School District is currently being held harmless and reimbursed from the State for a portion of its lost personal property tax for the next two years, failure of the legislature to continue that level of reimbursement in subsequent years could have a negative impact on the School District's finances.

The current contracts with both the certified union and the classified union expire this summer. New contracts will need to be negotiated at that time. Possible changes in insurance benefits and salary structures may be necessary to keep the budget balanced over the next few years. Some of this can be addressed in negotiations and some changes may be forthcoming due to actions of the State legislature.

In accordance with the School District's strategic plan, actions have been taken in the areas of facilities, technology, and curriculum. One to One computing was instituted in the Middle School this year. Each middle school student was provided with a school owned netbook computer. In the future, we will be looking at expanding this program to the high school students. Distance learning was utilized to expand curricular offerings to the middle school students this year. This program will also be expanded to the high school as early as next year. Building usage studies on the high school/middle school building are being conducted to look at the need for the new construction of and/or renovation to all or parts of this building to meet future needs. The School District has purchased property to the north of the current campus and is looking at purchasing several additional properties in the future. The purchase of these properties is for possible further expansion of facilities as the current campus may not be big enough to meet these needs. Many of these expenses are possible because of the School District's permanent improvement levy which allows the School District to take many of these actions without requiring funds from the general operating budget.

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

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

**Van Buren Local School District**  
**Statement of Net Assets**  
**June 30, 2010**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$8,163,405
Accounts Receivable	28,266
Accrued Interest Receivable	4,082
Intergovernmental Receivable	251,106
Prepaid Items	3,837
Inventory Held for Resale	3,936
Materials and Supplies Inventory	16,872
Property Taxes Receivable	6,347,064
Payment in Lieu of Taxes Receivable	93,448
Unamortized Issuance Cost	142,138
Nondepreciable Capital Assets	154,779
Depreciable Capital Assets, Net	14,488,256
Total Assets	29,697,189
 <u>Liabilities:</u>	
Accounts Payable	76,702
Accrued Wages and Benefits Payable	706,992
Intergovernmental Payable	308,272
Deferred Revenue	5,882,843
Accrued Interest Payable	22,927
Long-Term Liabilities:	
Due Within One Year	823,006
Due in More Than One Year	7,890,145
Total Liabilities	15,710,887
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	6,628,035
Restricted For:	
Debt Service	597,310
Capital Projects	314,851
Setasides	520,313
Other Purposes	402,778
Unrestricted	5,523,015
Total Net Assets	\$13,986,302

See Accompanying Notes to the Basic Financial Statements

**Van Buren Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2010**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$4,830,230	\$785,530	\$30,847		(\$4,013,853)
Special	603,768	1,147	517,003		(85,618)
Vocational	194,740		2,114		(192,626)
Support Services:					
Pupils	700,823		7,470		(693,353)
Instructional Staff	358,007				(358,007)
Board of Education	50,514				(50,514)
Administration	803,165				(803,165)
Fiscal	386,498				(386,498)
Operation and Maintenance of Plant	1,189,645				(1,189,645)
Pupil Transportation	513,106		19,359	\$3,000	(490,747)
Central	31,972		6,859		(25,113)
Non-Instructional Services	288,227	189,765	84,202		(14,260)
Extracurricular Activities	467,204	115,208	5,538	21,570	(324,888)
Interest and Fiscal Charges	249,290				(249,290)
Total Governmental Activities	<u>\$10,667,189</u>	<u>\$1,091,650</u>	<u>\$673,392</u>	<u>\$24,570</u>	<u>(8,877,577)</u>

General Revenues:

Property Taxes Levied for General Purposes	4,887,784
Property Taxes Levied for Debt Service	673,957
Property Taxes Levied for Permanent Improvements	227,802
Payment in Lieu of Taxes	93,448
Grants and Entitlements not Restricted to Specific Programs	3,896,051
Interest	51,799
Gifts and Donations	24,383
Miscellaneous	80,906
Total General Revenues	<u>9,936,130</u>
Change in Net Assets	1,058,553
Net Assets at Beginning of Year	<u>12,927,749</u>
Net Assets at End of Year	<u>\$13,986,302</u>

See Accompanying Notes to the Basic Financial Statements

**Van Buren Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2010**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$6,374,773	\$1,261,845	\$7,636,618
Accounts Receivable	27,819	447	28,266
Accrued Interest Receivable	4,082		4,082
Intergovernmental Receivable		251,106	251,106
Prepaid Items	3,837		3,837
Inventory Held for Resale		3,936	3,936
Materials and Supplies Inventory	16,469	403	16,872
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	526,787		526,787
Property Taxes Receivable	5,342,235	1,004,829	6,347,064
Payment in Lieu of Taxes Receivable	80,739	12,709	93,448
<b>Total Assets</b>	<b><u>\$12,376,741</u></b>	<b><u>\$2,535,275</u></b>	<b><u>\$14,912,016</u></b>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$61,323	\$15,379	\$76,702
Accrued Wages and Benefits Payable	695,410	11,582	706,992
Intergovernmental Payable	297,581	10,691	308,272
Deferred Revenue	5,133,882	1,209,171	6,343,053
<b>Total Liabilities</b>	<b><u>6,188,196</u></b>	<b><u>1,246,823</u></b>	<b><u>7,435,019</u></b>
<u>Fund Balances:</u>			
Reserved for Property Taxes	306,000	58,000	364,000
Reserved for Textbooks	520,313		520,313
Reserved for Bus Purchase	6,474		6,474
Reserved for Encumbrances	99,731	40,925	140,656
Unreserved, Designated for Termination Benefits		234,779	234,779
<u>Unreserved, Undesignated Reported in:</u>			
General Fund	5,256,027		5,256,027
Special Revenue Funds		144,608	144,608
Debt Service Fund		555,469	555,469
Capital Projects Funds		254,671	254,671
<b>Total Fund Balances</b>	<b><u>6,188,545</u></b>	<b><u>1,288,452</u></b>	<b><u>7,476,997</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$12,376,741</u></b>	<b><u>\$2,535,275</u></b>	<b><u>\$14,912,016</u></b>

See Accompanying Notes to the Basic Financial Statements

**Van Buren Local School District**  
**Reconciliation of Total Governmental Fund Balances**  
**to Net Assets of Governmental Activities**  
**June 30, 2010**

Total Governmental Fund Balances \$7,476,997

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. 14,643,035

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

Accounts Receivable	12,826	
Accrued Interest Receivable	4,082	
Intergovernmental Receivable	249,633	
Property Taxes Receivable	100,221	
Payment in Lieu of Taxes Receivable	93,448	460,210

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. 142,138

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

Accrued Interest Payable	(22,927)	
General Obligation Bonds Payable	(8,160,300)	
Compensated Absences Payable	(552,851)	(8,736,078)

Net Assets of Governmental Activities \$13,986,302

See Accompanying Notes to the Basic Financial Statements  
See Accountant's Compilation Report



**Van Buren Local School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2010**

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$5,008,129	\$920,698	\$5,928,827
Payment in Lieu of Taxes	41,069	7,143	48,212
Intergovernmental	3,450,936	863,572	4,314,508
Interest	47,717	29	47,746
Tuition and Fees	786,195		786,195
Extracurricular Activities	8,217	106,991	115,208
Charges for Services		189,765	189,765
Gifts and Donations	19,498	10,423	29,921
Miscellaneous	60,671	20,235	80,906
Total Revenues	<u>9,422,432</u>	<u>2,118,856</u>	<u>11,541,288</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,596,092	64,284	4,660,376
Special	484,892	103,780	588,672
Vocational	188,420		188,420
Support Services:			
Pupils	533,824	165,652	699,476
Instructional Staff	326,922	3,633	330,555
Board of Education	50,514		50,514
Administration	782,180		782,180
Fiscal	358,134	22,896	381,030
Operation and Maintenance of Plant	1,118,149	12,412	1,130,561
Pupil Transportation	451,113		451,113
Central	20,100	11,872	31,972
Non-Instructional Services		261,220	261,220
Extracurricular Activities	266,775	143,053	409,828
Capital Outlay		128,471	128,471
Debt Service:			
Principal Retirement		340,000	340,000
Interest and Fiscal Charges		244,853	244,853
Interest on Capital Appreciation Bonds		225,000	225,000
Issuance Costs		142,138	142,138
Total Expenditures	<u>9,177,115</u>	<u>1,869,264</u>	<u>11,046,379</u>
Excess of Revenues Over Expenditures	<u>245,317</u>	<u>249,592</u>	<u>494,909</u>
<u>Other Financing Sources (Uses):</u>			
General Obligation Bonds Issued		6,240,000	6,240,000
Premium on Bonds Issued		719,831	719,831
Payment to Refunded Bond Escrow Agent		(6,817,693)	(6,817,693)
Transfers In		63,086	63,086
Transfers Out	(63,086)		(63,086)
Total Other Financing Sources (Uses)	<u>(63,086)</u>	<u>205,224</u>	<u>142,138</u>
Changes in Fund Balances	182,231	454,816	637,047
Fund Balances at Beginning of Year	6,006,314	833,636	6,839,950
Fund Balances at End of Year	<u>\$6,188,545</u>	<u>\$1,288,452</u>	<u>\$7,476,997</u>

See Accompanying Notes to the Basic Financial Statements

**Van Buren Local School District**  
**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

Changes in Fund Balances - Total Governmental Funds \$637,047

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 exceeded capital outlays in the current fiscal year:

Capital Outlay - Construction in Progress	19,200	
Capital Outlay - Depreciable Capital Assets	114,852	
Capital Contributions	24,570	
Depreciation	(364,452)	(205,830)

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (16,752)

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

Property Taxes	(139,284)	
Payment in Lieu of Taxes	45,236	
Intergovernmental	249,368	
Interest	4,082	
Tuition and Fees	482	159,884

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

Payment to Refunded Bond Escrow Agent	6,817,693	
General Obligation Bonds Payable	340,000	7,157,693

Bond proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets. (6,240,000)

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

Accrued Interest Payable	9,201	
Annual Accretion on Capital Appreciation Bonds	(13,638)	
Payment of Accretion on Capital Appreciation Bonds	225,000	
Unamortized Premium	(719,831)	(499,268)

Issuance costs are reported as an expenditure when paid in the governmental funds but is accrued on outstanding debt on the statement of net assets.

Unamortized Issuance Costs		142,138
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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: (76,359)

Change in Net Assets of Governmental Activities \$1,058,553

See Accompanying Notes to the Basic Financial Statements

**Van Buren Local School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$5,186,931	\$5,167,677	\$5,208,129	\$40,452
Payment in Lieu of Taxes		90,621	82,126	(8,495)
Intergovernmental	3,451,598	3,409,360	3,450,936	41,576
Interest	50,000	35,000	47,717	12,717
Tuition and Fees	575,000	612,238	786,280	174,042
Extracurricular Activities	28,500	28,500	8,217	(20,283)
Gifts and Donations	17,000	17,000	19,498	2,498
Miscellaneous	155,500	57,500	36,674	(20,826)
Total Revenues	<u>9,464,529</u>	<u>9,417,896</u>	<u>9,639,577</u>	<u>221,681</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	4,907,102	4,877,104	4,600,272	276,832
Special	789,226	481,225	475,640	5,585
Vocational	226,298	226,299	195,926	30,373
Support Services:				
Pupils	168,101	543,103	533,315	9,788
Instructional Staff	361,846	361,846	333,530	28,316
Board of Education	70,003	70,003	56,835	13,168
Administration	812,610	812,610	776,933	35,677
Fiscal	428,332	391,332	352,905	38,427
Operation and Maintenance of Plant	1,236,237	1,236,237	1,142,359	93,878
Pupil Transportation	564,765	564,765	466,396	98,369
Central	23,304	23,304	19,776	3,528
Extracurricular Activities	295,646	295,646	272,002	23,644
Capital Outlay	5,000	5,000		5,000
Total Expenditures	<u>9,888,470</u>	<u>9,888,474</u>	<u>9,225,889</u>	<u>662,585</u>
Excess of Revenues Over (Under) Expenditures	<u>(423,941)</u>	<u>(470,578)</u>	<u>413,688</u>	<u>884,266</u>
<u>Other Financing Uses:</u>				
Refund of Prior Year Receipts		34,598	43,770	9,172
Transfers Out	(70,000)	(70,000)	(63,086)	6,914
Total Other Financing Uses	<u>(70,000)</u>	<u>(35,402)</u>	<u>(19,316)</u>	<u>16,086</u>
Changes in Fund Balance	(493,941)	(505,980)	394,372	900,352
Fund Balance at Beginning of Year	6,206,826	6,206,826	6,206,826	
Prior Year Encumbrances Appropriated	143,092	143,092	143,092	
Fund Balance at End of Year	<u>\$5,855,977</u>	<u>\$5,843,938</u>	<u>\$6,744,290</u>	<u>\$900,352</u>

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2010

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$29,610</u></u>
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Liabilities:

Due to Students	<u><u>\$29,610</u></u>
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See Accompanying Notes to the Basic Financial Statements

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

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

The School District was established in 1936. 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 479th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty-one classified employees, sixty-seven certified teaching personnel, and five administrative employees who provide services to one thousand ten 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 Career and Technology Center, Northwestern Ohio Educational Research Council, Inc., Hancock County Schools Health Benefit Fund, and Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

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

The basic financial statements of Van Buren Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental 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 activities provided they do not conflict with or contradict GASB pronouncements. 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental 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. 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 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 fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

## **B. Fund Accounting**

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

### 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 2010. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

### **C. Measurement Focus**

#### Government-Wide Financial Statements

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

#### Fund Financial Statements

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

### **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 and the agency fund uses the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

#### Revenues - Exchange and Nonexchange Transactions

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

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

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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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, 2010, but which were levied to finance fiscal year 2011 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.

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 2010, investments consisted of repurchase agreements and STAR Ohio. Repurchase agreements are reported at cost. 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, 2010.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2010 was \$47,717, which includes \$5,438 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, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

#### **H. Inventory**

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

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

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either 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, and 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:

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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

**K. Compensated Absences**

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

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

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

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

All payables, accrued liabilities, and long-term obligations are reported on the government-wide 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.

**M. Unamortized Issuance Costs and Premiums**

On government-wide financial statements, issuance costs and premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges and are generally paid from debt proceeds. Bond premiums are presented as an addition to the face amount of bonds payable.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the debt is issued.

**N. Unamortized Loss on Advance Refunding**

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a reduction of the face amount of the new debt.

**O. 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.

**P. 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.

**Q. Capital Contributions**

Capital contributions arise from outside contributions of capital assets.

**R. Interfund Transactions**

Transfers within governmental 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. 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 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes 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).

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

Van Buren Local School District  
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Changes in Fund Balance

GAAP Basis	\$182,231
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2009, Received in Cash FY 2010	581,908
Accrued FY 2010, Not Yet Received in Cash	(320,993)
Expenditure Accruals:	
Accrued FY 2009, Paid in Cash FY 2010	(943,290)
Accrued FY 2010, Not Yet Paid in Cash	1,054,314
Prepaid Items	(19)
Materials and Supplies Inventory	(2,509)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	<u>(157,270)</u>
Budget Basis	<u>\$394,372</u>

**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.

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;

Van Buren Local School District  
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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, \$2,219 of the School District's bank balance of \$7,136,417 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.

Investments

As of June 30, 2010, the School District had the following investments:

	Fair Value	Maturity
Repurchase Agreement	\$1,081,840	July 1, 2010

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 securities underlying the repurchase agreement (Government National Mortgage Association Notes) carry a rating of AAA by Moodys. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that repurchase agreements be limited to investments in United States treasury securities and federal governmental agency securities.

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

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District has no investment policy dealing with custodial credit risk beyond the requirements of the State statute.

The School District places no limit on the amount of its interim monies it may invest in a particular security. As of June 30, 2010, the School District had 100 percent of its investments in repurchase agreements.

**Note 6 - Receivables**

Receivables at June 30, 2010, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, 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, 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.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Other Governmental Funds	
Title VI-B	\$187,611
Title I	57,359
Early Childhood Preschool	6,136
Total Intergovernmental Receivables	<u>\$251,106</u>

**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 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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.

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Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 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, 2010, are available to finance fiscal year 2010 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, 2010, 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 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$306,000 in the General Fund, \$44,000 in the Bond Retirement debt service fund, and \$14,000 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2009, was \$506,000 in the General Fund, \$67,000 in the Bond Retirement debt service fund, and \$24,000 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 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$124,631,770	61.28%	\$128,377,480	61.90%
Industrial/Commercial	71,051,100	34.93	71,758,460	34.60
Public Utility	7,716,630	3.79	7,256,000	3.50
Total Assessed Value	<u>\$203,399,500</u>	<u>100.00%</u>	<u>\$207,391,940</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.07		\$41.33	



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**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 exemptions 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 exempted. The agreements provide for a portion of these payments to be made to the School District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$154,779			\$154,779
Construction in Progress	70,840	\$19,200	(\$90,040)	
Total Nondepreciable Capital Assets	225,619	19,200	(90,040)	154,779
Depreciable Capital Assets				
Land Improvements	953,915	68,584		1,022,499
Buildings and Building Improvements	15,127,159		(61,200)	15,065,959
Furniture, Fixtures, and Equipment	1,175,234	160,878	(6,390)	1,329,722
Vehicles	1,046,086			1,046,086
Total Depreciable Capital Assets	18,302,394	229,462	(67,590)	18,464,266
Less Accumulated Depreciation				
Land Improvements	(162,231)	(48,335)		(210,566)
Buildings and Building Improvements	(2,200,672)	(178,288)	44,448	(2,334,512)
Furniture, Fixtures, and Equipment	(611,284)	(82,648)	6,390	(687,542)
Vehicles	(688,209)	(55,181)		(743,390)
Total Accumulated Depreciation	(3,662,396)	(364,452)	50,838	(3,976,010)
Depreciable Capital Assets, Net	14,639,998	(134,990)	(16,752)	14,488,256
Governmental Activities Capital Assets, Net	\$14,865,617	(\$115,790)	(\$106,792)	\$14,643,035

During fiscal year 2010, the School District accepted contributions of depreciable capital assets with a fair value of \$24,570.

Van Buren Local School District  
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$142,568
Special	11,602
Vocational	6,320
Support Services:	
Pupils	1,347
Instructional Staff	4,699
Administration	14,340
Fiscal	3,383
Operation and Maintenance of Plant	34,928
Pupil Transportation	60,714
Non-Instructional Services	26,811
Extracurricular Activities	57,740
Total Depreciation Expense	<u><u>\$364,452</u></u>

**Note 10 - 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 2010, 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	42,653,257
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

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

The School District participates in the Hancock County Schools Health Benefit Fund (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 Developmental Disabilities. The School District pays monthly premiums to the Fund for employee medical, dental, vision, and life insurance benefits. The Fund is responsible for the management and operations 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.

For fiscal year 2010, 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 11 - 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](http://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.

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, 2010, 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. 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, 2010, 2009, and 2008 was \$493,005, \$477,090, and \$471,547 respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DCP and CP for fiscal year 2010 were \$20,204 made by the School District and \$14,432 made by 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, 2010, 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 2010, 12.78 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, 2010, 2009, and 2008 was \$145,763, \$95,442, and \$94,441, respectively; 21 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

## **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, 2010, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages.

## **Note 12 - 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](http://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 2010, 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, 2010, 2009, and 2008 was \$39,478, \$37,427, and \$36,615, respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

## **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.

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 2010, .46 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 2010, the surcharge amount was \$22,811.

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, 2010, 2009, and 2008 was \$5,247, \$43,679, and \$43,097, respectively; 21 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$8,668, \$7,875, and \$6,805, respectively; 21 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

## **Note 13 - Other Employee Benefits**

### **A. Compensated Absences**

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

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

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	Sick Days Accumulated	Sick Days Paid Upon Retirement
Administrators	245	61.25
Certified Employees	245	61.25
Classified Employees	unlimited	53

**B. Health Care Benefits**

The School District provides medical, dental, vision, and life insurance to all employees through the Hancock County Schools Health Benefit Fund. 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 14 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10	Amounts Due Within One Year
General Obligation Bonds					
2010 School Facilities Construction and Improvement Refunding					
Serial Bonds 2.0 - 5.0%		\$6,165,000		\$6,165,000	\$215,000
Capital Appreciation Bonds		75,000		75,000	
Accretion on Capital Appreciation Bonds		3,162		3,162	
Premium		719,831		719,831	
Accounting Loss		(577,693)		(577,693)	
2001 School Facilities Construction and Improvement					
Serial Bonds 3.3 - 4.45%	1,775,000			1,775,000	565,000
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	214,524	\$10,476	225,000		
Total General Obligation Bonds	8,569,524	6,395,776	6,805,000	8,160,300	780,000
Compensated Absences Payable	476,492	133,813	57,454	552,851	43,006
Total Governmental Activities Long-Term Liabilities	\$9,046,016	\$6,529,589	\$6,862,454	\$8,713,151	\$823,006

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School Facilities Construction and Improvement Refunding Bonds FY 2010 - On May 5, 2010, the School District issued \$6,240,000 in general obligation bonds to refund bonds previously issued for constructing a building addition. The bond issue includes serial and capital appreciation bonds, in the amount of \$6,165,000 and \$75,000, respectively. The bonds were issued at a premium of \$719,831. The bonds were issued for an eleven year period, with final maturity in fiscal year 2021. The bonds are being retired through the Bond Retirement debt service fund.

Although the refunding will result in the recognition of an accounting loss of \$577,693, the School District in effect decreased its aggregated debt service payments by \$417,105 over the next eleven years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$316,467.

The net proceeds of the refunding bond issue were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the refunded bonds. As a result, \$6,240,000 of the FY 2001 School Facilities Construction and Improvement Bonds is considered defeased and the liability for the bonds has been removed from the School District's financial statements.

None of the refunding bonds, including the capital appreciation bonds are subject to redemption prior to maturity. The capital appreciation bonds will mature on December 1, 2016, in the amount of \$710,000. For fiscal year 2010, \$3,162 was accreted on the capital appreciation bonds for a total outstanding bond value of the capital appreciation bonds of \$78,162 at fiscal year end.

At June 30, 2010, \$6,240,000 of the refunding bonds was still outstanding.

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 original 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. During fiscal year 2010, the term bonds were refunded. The remaining bonds are being retired through the Bond Retirement debt service fund.

The serial bonds maturing after December 1, 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 matured on December 1, 2009, in the amount of \$565,000, and were paid in full during fiscal year 2010.

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

The School District's overall debt margin was \$10,611,239 with an unvoted debt margin of \$200,297 at June 30, 2010.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2010, were as follows:

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General Obligation Bonds				
	Serial	Capital Appreciation	Interest	Total
2011	\$780,000		\$266,438	\$1,046,438
2012	825,000		227,211	1,052,211
2013	875,000		193,766	1,068,766
2014	925,000		167,247	1,092,247
2015	650,000		149,272	799,272
2016-2020	3,020,000	\$75,000	1,145,009	4,240,009
2021	865,000		21,625	886,625
	\$7,940,000	\$75,000	\$2,170,568	\$10,185,568

**Note 15 - Set Asides**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2010.

	Textbooks	Capital Improvements
Balance June 30, 2009	\$446,730	
Current Year Set Aside Requirement	163,603	\$163,603
Current Year Offsets		(163,603)
Qualifying Expenditures	(90,020)	
Reserve Balance June 30, 2010	\$520,313	

**Note 16 - Interfund Transfers**

During fiscal year 2010, the General Fund made transfers to other governmental funds, in the amount of \$63,086; \$49,551 to set aside resources for the future payment of termination benefits and \$13,535 to subsidize operations in other funds.

**Note 17- Jointly Governed Organizations**

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

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions



among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2010, the School District paid \$18,351 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

### **B. Millstream Career and Technology Center**

The Millstream Career and Technology Center (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 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, 1219 West Main Cross, Suite 101, 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., 441 East Market Street, Celina, Ohio 45822.

## **Note 18 - Insurance Pools**

### **A. Hancock County Schools Health Benefit Fund**

The Hancock County Schools Health Benefit Fund (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 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 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.

Each participant decides which plans offered by the Administrative Committee 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.

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

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

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

**Note 19 - 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, 2010.

**B. Litigation**

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



# Dave Yost • 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  
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 major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 11, 2011. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 11, 2011.

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

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

**Dave Yost**  
Auditor of State

May 11, 2011



# Dave Yost • 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  
MAY 26, 2011**