



Dave Yost • Auditor of State



**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

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**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Van Buren Local School District  
Hancock County  
217 South Main Street  
Van Buren, Ohio 45889-0229

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, Ohio (the District), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, Ohio, as of June 30, 2013 and 2012, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 23, 2015

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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The discussion and analysis of Van Buren Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Highlights**

Highlights for fiscal year 2013 were as follows:

Net position increased \$556,106, or 3 percent. This was the ninth year in a row that revenues have exceeded expenses. There was little change in revenues and expenses from the prior fiscal year; however, revenues continue to exceed expenses.

General revenues were \$10,627,907, or 86 percent of all governmental activities revenues and demonstrate the 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 position and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in a single column.

**Reporting the District as a Whole**

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2013. 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 year's revenues and expenses regardless of when cash is received or paid.

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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These statements report the District's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the 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 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 position and the statement of activities, all of the 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.

**Reporting the District's Most Significant Funds**

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major funds are the General and Bond Retirement Funds.

Governmental Funds - All of the 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 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 District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

**The District as a Whole**

Table 1 provides a summary of the District's net position for fiscal year 2013 and fiscal year 2012:

Table 1  
Net Position

	Governmental Activities		
	2013	2012	Change
<u>Assets:</u>			
Current and Other Assets	\$17,150,822	\$17,310,685	(\$159,863)
Capital Assets, Net	13,863,355	14,195,765	(332,410)
Total Assets	31,014,177	31,506,450	(492,273)
			(continued)

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

Table 1  
Net Position  
(continued)

	Governmental Activities		
	2013	2012	Change
<u>Deferred Outflows of Resources:</u>	\$512,424	\$536,032	(\$23,608)
<u>Liabilities:</u>			
Current and Other Liabilities	1,102,475	1,097,410	(5,065)
Long-Term Liabilities	6,927,506	7,753,330	825,824
Total Liabilities	8,029,981	8,850,740	820,759
<u>Deferred Inflows of Resources:</u>	6,740,752	6,991,980	251,228
<u>Net Position:</u>			
Net Investment in Capital Assets	8,202,275	7,785,765	416,510
Restricted	1,766,595	1,502,740	263,855
Unrestricted	6,786,998	6,911,257	(124,259)
Total Net Position	\$16,755,868	\$16,199,762	\$556,106

The above table reflects only one change of significance from the prior fiscal year, that being the decrease in long-term liabilities and the increase in the net investment in capital assets resulting from the retirement of debt.

Table 2 reflects the changes in net position for fiscal year 2013 and fiscal year 2012:

Table 2  
Changes in Net Position

	Governmental Activities		
	2013	2012	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$1,363,590	\$1,304,502	\$59,088
Operating Grants, Contributions, and Interest	412,871	449,528	(36,657)
Total Program Revenues	1,776,461	1,754,030	22,431
General Revenues			
Property Taxes	6,999,377	7,184,177	(184,800)
Payment in Lieu of Taxes	114,609	107,659	6,950
Grants and Entitlements not Restricted to Specific Programs	3,366,546	3,552,225	(185,679)
Interest	30,110	33,371	(3,261)
Gifts and Donations	18,788	17,466	1,322
Miscellaneous	98,477	48,775	49,702
Total General Revenues	10,627,907	10,943,673	(315,766)
Total Revenues	12,404,368	12,697,703	(293,335)

(continued)

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

Table 2  
Changes in Net Position  
(continued)

	Governmental Activities		
	2013	2012	Change
<u>Expenses:</u>			
Instruction:			
Regular	\$5,386,855	\$5,075,529	(\$311,326)
Special	1,105,342	1,146,738	41,396
Vocational	217,879	197,332	(20,547)
Support Services:			
Pupils	575,587	360,912	(214,675)
Instructional Staff	295,131	343,185	48,054
Board of Education	51,133	70,721	19,588
Administration	761,905	791,437	29,532
Fiscal	374,448	445,223	70,775
Operation and Maintenance of Plant	1,339,981	1,367,684	27,703
Pupil Transportation	600,066	582,512	(17,554)
Central	39,010	30,717	(8,293)
Non-Instructional Services	307,247	311,185	3,938
Extracurricular Activities	412,633	443,975	31,342
Interest and Fiscal Charges	381,045	269,670	(111,375)
Total Expenses	<u>11,848,262</u>	<u>11,436,820</u>	<u>(411,442)</u>
Increase in Net Position	556,106	1,260,883	(704,777)
Net Position at Beginning of Year	<u>16,199,762</u>	<u>14,938,879</u>	<u>1,260,883</u>
Net Position at End of Year	<u>16,755,868</u>	<u>\$16,199,762</u>	<u>556,106</u>

As reflected in the above table, changes to both program revenues and general revenues, in total, from the prior fiscal year were not significant. However, the 5 percent decrease in unrestricted grants and entitlements is the result of the decrease in tangible personal property reimbursements from the State. In addition, miscellaneous revenue more than doubled related to refunds owed to the District from the Ohio Bureau of Workers' Compensation and the School Employees Retirement System.

Expenses increased almost 4 percent from the prior fiscal year. The most significant increases occurred in the regular instruction and pupils programs. Regular instruction increased from increased salaries and benefits paid in fiscal year 2013, as well as the purchase of non-capital technology equipment. The pupils support program increased as a result of services provided by the Educational Service Center. The decrease in the fiscal program of 16 percent resulted from decreased salaries and benefits paid during the fiscal year and the absence of audit costs. As to be expected, instruction programs are the District's largest expense, accounting for 57 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, 80 percent of all of the 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.

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction:				
Regular	\$5,386,855	\$5,075,529	\$4,319,299	\$4,087,893
Special	1,105,342	1,146,738	821,381	825,582
Vocational	217,879	197,332	217,574	196,519
Support Services:				
Pupils	575,587	360,912	575,587	360,912
Instructional Staff	295,131	343,185	295,131	343,185
Board of Education	51,133	70,721	51,133	70,721
Administration	761,905	791,437	761,905	791,437
Fiscal	374,448	445,223	374,448	445,223
Operation and Maintenance of Plant	1,339,981	1,367,684	1,339,981	1,367,684
Pupil Transportation	600,066	582,512	580,571	569,029
Central	39,010	30,717	33,610	25,317
Non-Instructional Services	307,247	311,185	20,871	7,008
Extracurricular Activities	412,633	443,975	299,265	322,610
Interest and Fiscal Charges	381,045	269,670	381,045	269,670
<b>Total Expenses</b>	<b>\$11,848,262</b>	<b>\$11,436,820</b>	<b>\$10,071,801</b>	<b>\$9,682,790</b>

The above table demonstrates that very few of the District's programs benefit significantly from program revenues. The special instruction program provided for 26 percent of its costs through program revenues; generally grant resources restricted for special instruction purposes. Over 93 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. Approximately 27 percent of extracurricular activities costs are paid for through admission charges for athletic events as well as from music or drama productions.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. For fiscal year 2013, the General Fund reflects a 2 percent decrease in fund balance which was not a significant change.

**General Fund Budgeting Highlights**

The 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.

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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During fiscal year 2013, the District amended its General Fund budget as needed. For revenues, there was a 5 percent decrease from the original budget to the final budget, primarily related to the estimate for property tax revenues. Changes from the final budget to actual revenues was not significant. For expenditures, changes from the original budget to the final budget were minimal. Actual expenditures were almost 13 percent less than budgeted amounts as savings were realized in all programs and primarily the result of conservative budget practices.

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

#### **Capital Assets**

At the end of fiscal year 2013, the District had \$13,863,355 invested in capital assets (net of accumulated depreciation). Additions included equipment purchased for the cafeteria and a truck. Disposals consisted of a truck. For further information regarding the District's capital assets, refer to Note 10 to the basic financial statements.

#### **Debt**

At June 30, 2013, the District had outstanding general obligation bonds, in the amount of \$6,318,011. These bonds will not be fully retired until fiscal year 2021. The District's long-term obligations also include compensated absences. For further information regarding the District's long-term obligations, refer to Note 15 to the basic financial statements.

### **Current Issues**

The Van Buren Local School District is a rural school district located in northern Hancock County. The District serves nine hundred fifty and employs seventy-one teachers. The District receives a very small portion its total operating revenue from the State foundation formula for school funding. Rather, the District receives the majority of its funding from its local tax base, which has a present assessed valuation of \$225,821,520.

For the past several years, the District's revenues have exceeded expenses. The current school year's projection shows expenses exceeding revenues. The State's financial condition and other economic factors require constant surveillance by the District. New legislation and funding proposals out of Columbus will also have a major impact on the District's finances and must be monitored closely. The ending of a major TIF agreement and the District's share of tax abatement for the Home Depot warehouse are areas of increased revenue for the District. It is believed that through these increased revenues and good financial practices the District will not need to seek additional revenues from the community at this time. On November 5, 2013 the District voters approved a 4.5 mill five year renewal levy. In addition, voters also approved a 1.5 mill permanent improvement levy. Reductions in the reimbursement from the State for a portion of the District's lost personal property tax for the next two years are a concern. Failure of the legislature to continue some level of reimbursement in subsequent years could have a negative impact on the District's finances.

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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Contract negotiations with the certified union were challenging with the Board of Education implementing its last, best, final offer which is for a two year period and includes no step increases in either year, no base increase in the first year, and a 1.12 percent base increase in the second year. Members of the bargaining unit that take single coverage medical insurance will see an increase in premium contributions to 5 percent in the first year and to 10 percent in the second year. There was no change to the family contribution of 15 percent. In addition to those increases, the unions were forced to switch over to a different health plan that would result in savings for the District. Negotiations with the classified union resulted in a step freeze for three years (2011-2014), no increase in year one, an increase of 1.125 percent the second year, and 1.125 percent in the third year. The classified union also had concessions in health care plans and increases the same as the above teachers union.

In accordance with the District's strategic plan, actions have been taken in the areas of facilities, technology, and curriculum. One to One computing was expanded from the middle school to include the high school. Each student in grades 6 through 10 was provided with a school owned netbook computer. In fiscal year 2012, the District expanded the program to grades 11 and 12 students. In fiscal year 2013, expanded to grade 5. Distance learning was utilized to expand curricular offerings to the middle school students. This program will also be expanded to the high school. 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 the building to meet future needs. The 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 expansion of facilities as the current campus may not be big enough to meet our future needs. Many of these expenses are possible because of the District's permanent improvement levy which allows the District to take many of these actions without requiring funds from the general operating budget.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Cheryl Swisher, Treasurer, Van Buren Local School District, 217 South Main Street, Van Buren, Ohio 45889-0229.

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Van Buren Local School District  
Statement of Net Position  
June 30, 2013

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$8,974,120
Accounts Receivable	12,340
Accrued Interest Receivable	7,540
Intergovernmental Receivable	52,812
Prepaid Items	3,764
Inventory Held for Resale	4,514
Materials and Supplies Inventory	427
Property Taxes Receivable	8,001,857
Payment in Lieu of Taxes Receivable	93,448
Nondepreciable Capital Assets	168,329
Depreciable Capital Assets, Net	13,695,026
Total Assets	31,014,177
 <u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	512,424
 <u>Liabilities:</u>	
Accounts Payable	74,672
Accrued Wages and Benefits Payable	737,441
Matured Compensated Absences Payable	43,421
Intergovernmental Payable	232,156
Accrued Interest Payable	14,785
Long-Term Liabilities:	
Due Within One Year	955,972
Due in More Than One Year	5,971,534
Total Liabilities	8,029,981
 <u>Deferred Inflows of Resources:</u>	
Property Taxes	6,704,607
Payment in Lieu of Taxes	36,145
Total Deferred Inflows of Resources	6,740,752
 <u>Net Position:</u>	
Net Investment in Capital Assets	8,202,275
Restricted For:	
Debt Service	790,012
Capital Projects	684,267
Other Purposes	292,316
Unrestricted	6,786,998
Total Net Position	\$16,755,868

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$5,386,855	\$1,043,844	\$23,712	(\$4,319,299)
Special	1,105,342	22,815	261,146	(821,381)
Vocational	217,879	0	305	(217,574)
Support Services:				
Pupils	575,587	0	0	(575,587)
Instructional Staff	295,131	0	0	(295,131)
Board of Education	51,133	0	0	(51,133)
Administration	761,905	0	0	(761,905)
Fiscal	374,448	0	0	(374,448)
Operation and Maintenance of Plant	1,339,981	0	0	(1,339,981)
Pupil Transportation	600,066	0	19,495	(580,571)
Central	39,010	0	5,400	(33,610)
Non-Instructional Services	307,247	184,311	102,065	(20,871)
Extracurricular Activities	412,633	112,620	748	(299,265)
Interest and Fiscal Charges	381,045	0	0	(381,045)
Total Governmental Activities	<u>\$11,848,262</u>	<u>\$1,363,590</u>	<u>\$412,871</u>	<u>(10,071,801)</u>

General Revenues:

Property Taxes Levied for General Purposes	5,897,596
Property Taxes Levied for Debt Service	819,001
Property Taxes Levied for Permanent Improvements	282,780
Payment in Lieu of Taxes	114,609
Grants and Entitlements not Restricted to Specific Programs	3,366,546
Interest	30,110
Gifts and Donations	18,788
Miscellaneous	98,477
Total General Revenues	<u>10,627,907</u>

Change in Net Position 556,106

Net Position at Beginning of Year 16,199,762  
Net Position at End of Year \$16,755,868

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2013

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$7,474,358	\$644,444	\$855,318	\$8,974,120
Accounts Receivable	12,340	0	0	12,340
Accrued Interest Receivable	7,398	0	142	7,540
Intergovernmental Receivable	49,260	0	3,552	52,812
Prepaid Items	3,764	0	0	3,764
Inventory Held for Resale	0	0	4,514	4,514
Materials and Supplies Inventory	0	0	427	427
Property Taxes Receivable	6,723,589	953,220	325,048	8,001,857
Payment in Lieu of Taxes Receivable	80,739	9,205	3,504	93,448
Total Assets	<u>\$14,351,448</u>	<u>\$1,606,869</u>	<u>\$1,192,505</u>	<u>\$17,150,822</u>
<u>Liabilities:</u>				
Accounts Payable	\$65,288	\$0	\$9,384	\$74,672
Accrued Wages and Benefits Payable	709,918	0	27,523	737,441
Matured Compensated Absences Payable	43,421	0	0	43,421
Intergovernmental Payable	222,511	0	9,645	232,156
Total Liabilities	<u>1,041,138</u>	<u>0</u>	<u>46,552</u>	<u>1,087,690</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	5,633,605	798,944	272,058	6,704,607
Payment in Lieu of Taxes	31,754	3,128	1,263	36,145
Unavailable Revenue	299,487	33,276	12,856	345,619
Total Deferred Inflows of Resources	<u>5,964,846</u>	<u>835,348</u>	<u>286,177</u>	<u>7,086,371</u>
<u>Fund Balances:</u>				
Nonspendable	3,764	0	427	4,191
Restricted	55,755	771,521	873,213	1,700,489
Committed	147,146	0	0	147,146
Assigned	489,830	0	0	489,830
Unassigned (Deficit)	6,648,969	0	(13,864)	6,635,105
Total Fund Balances	<u>7,345,464</u>	<u>771,521</u>	<u>859,776</u>	<u>8,976,761</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$14,351,448</u>	<u>\$1,606,869</u>	<u>\$1,192,505</u>	<u>\$17,150,822</u>

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
 Reconciliation of Total Governmental Fund Balances  
 to Net Position of Governmental Activities  
 June 30, 2013

Total Governmental Fund Balances		\$8,976,761
<p>Amounts reported for governmental activities on the statement of net position are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		13,863,355
Deferred outflows of resources consists of deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds.		512,424
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Accounts Receivable	8,888	
Accrued Interest Receivable	27,174	
Intergovernmental Receivable	6,307	
Delinquent Property Taxes Receivable	303,250	
		345,619
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued Interest Payable	(14,785)	
General Obligation Bonds Payable	(6,318,011)	
Compensated Absences Payable	(609,495)	
		(6,942,291)
Net Position of Governmental Activities		\$16,755,868

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2013

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$5,755,939	\$801,203	\$276,285	\$6,833,427
Payment in Lieu of Taxes	97,970	12,155	4,484	114,609
Intergovernmental	3,015,518	310,360	469,205	3,795,083
Interest	34,017	0	657	34,674
Tuition and Fees	1,063,195	0	0	1,063,195
Extracurricular Activities	0	0	112,620	112,620
Charges for Services	0	0	184,311	184,311
Gifts and Donations	18,788	0	748	19,536
Miscellaneous	70,245	0	2,325	72,570
<b>Total Revenues</b>	<b>10,055,672</b>	<b>1,123,718</b>	<b>1,050,635</b>	<b>12,230,025</b>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,115,946	0	137,261	5,253,207
Special	977,549	0	114,632	1,092,181
Vocational	211,039	0	0	211,039
Support Services:				
Pupils	387,436	0	163,416	550,852
Instructional Staff	288,269	0	0	288,269
Board of Education	51,133	0	0	51,133
Administration	761,674	0	0	761,674
Fiscal	346,784	16,358	5,717	368,859
Operation and Maintenance of Plant	1,212,930	0	70,570	1,283,500
Pupil Transportation	515,473	0	33,930	549,403
Central	36,310	0	2,700	39,010
Non-Instructional Services	0	0	292,565	292,565
Extracurricular Activities	273,158	0	92,191	365,349
Capital Outlay	0	0	13,597	13,597
Debt Service:				
Principal Retirement	0	875,000	0	875,000
Interest and Fiscal Charges	0	193,766	0	193,766
<b>Total Expenditures</b>	<b>10,177,701</b>	<b>1,085,124</b>	<b>926,579</b>	<b>12,189,404</b>
Excess of Revenues Over (Under) Expenditures	(122,029)	38,594	124,056	40,621
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	1,000	0	500	1,500
Transfers In	0	0	21,500	21,500
Transfers Out	(21,500)	0	0	(21,500)
<b>Total Other Financing Sources (Uses)</b>	<b>(20,500)</b>	<b>0</b>	<b>22,000</b>	<b>1,500</b>
Changes in Fund Balances	(142,529)	38,594	146,056	42,121
Fund Balances at Beginning of Year	7,487,993	732,927	713,720	8,934,640
Fund Balances at End of Year	<u>\$7,345,464</u>	<u>\$771,521</u>	<u>\$859,776</u>	<u>\$8,976,761</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, 2013

Changes in Fund Balances - Total Governmental Funds \$42,121

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 outlay in the current fiscal year.

Capital Outlay - Depreciable Capital Assets	28,529	
Depreciation	(354,279)	
		(325,750)

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

Proceeds from Sale of Capital Assets	(1,500)	
Gain on Disposal of Capital Assets	1,000	
Loss on Disposal of Capital Assets	(6,160)	
		(6,660)

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

Delinquent Property Taxes	165,950	
Intergovernmental	(16,995)	
Interest	(3,983)	
Tuition and Fees	3,464	
Miscellaneous	24,907	
		173,343

Repayment of principal is an expenditure in governmental funds but the repayment reduces long-term liabilities on the statement of net position. 875,000

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

Accounting losses are amortized over the life of the debt on the statement of activities.

Accrued Interest Payable	(129,164)	
Annual Accretion on Capital Appreciation Bonds	(63,923)	
Amortization of Premium	29,416	
Amortization of Deferred Charge on Refunding	(23,608)	
		(187,279)

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. (14,669)

Change in Net Position of Governmental Activities \$556,106

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$6,502,545	\$5,606,425	\$5,605,939	(\$486)
Payment in Lieu of Taxes	0	95,114	95,114	0
Intergovernmental	3,069,479	3,094,789	3,015,484	(79,305)
Interest	20,000	35,000	35,141	141
Tuition and Fees	785,878	1,028,927	1,060,570	31,643
Extracurricular Activities	25,000	25,000	0	(25,000)
Gifts and Donations	16,909	22,982	18,788	(4,194)
Miscellaneous	37,050	43,863	47,709	3,846
<b>Total Revenues</b>	<b>10,456,861</b>	<b>9,952,100</b>	<b>9,878,745</b>	<b>(73,355)</b>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,321,489	5,478,178	5,177,025	301,153
Special	923,088	1,056,928	974,919	82,009
Vocational	240,233	251,127	210,596	40,531
Support Services:				
Pupils	337,076	420,105	376,195	43,910
Instructional Staff	447,938	355,842	304,259	51,583
Board of Education	114,556	104,496	52,015	52,481
Administration	962,789	975,297	752,674	222,623
Fiscal	470,415	449,415	346,914	102,501
Operation and Maintenance of Plant	1,494,030	1,553,679	1,223,913	329,766
Pupil Transportation	708,610	691,371	510,134	181,237
Central	44,000	71,650	47,972	23,678
Non-Instructional Services	300	300	278	22
Extracurricular Activities	353,915	376,618	286,809	89,809
Capital Outlay	5,500	0	0	0
<b>Total Expenditures</b>	<b>11,423,939</b>	<b>11,785,006</b>	<b>10,263,703</b>	<b>1,521,303</b>
Excess of Expenditures Over Revenues	(967,078)	(1,832,906)	(384,958)	1,447,948
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	1,000	1,000	1,000	0
Refund of Prior Year Expenditures	0	3,015	3,015	0
Transfers Out	(40,000)	(60,000)	(21,500)	38,500
<b>Total Other Financing Sources (Uses)</b>	<b>(39,000)</b>	<b>(55,985)</b>	<b>(17,485)</b>	<b>38,500</b>
Changes in Fund Balance	(1,006,078)	(1,888,891)	(402,443)	1,486,448
Fund Balance at Beginning of Year	7,434,757	7,434,757	7,434,757	0
Prior Year Encumbrances Appropriated	345,108	345,108	345,108	0
<b>Fund Balance at End of Year</b>	<b>\$6,773,787</b>	<b>\$5,890,974</b>	<b>\$7,377,422</b>	<b>\$1,486,448</b>

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2013

<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$23,987</u></u>
 <u>Liabilities:</u>	
Due to Students	<u><u>\$23,987</u></u>

See Accompanying Notes to the Basic Financial Statements

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

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

The District was established in 1936. The 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 District is the 469<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty-five classified employees, seventy-one certified teaching personnel, and seven administrative employees who provide services to nine hundred fifty students and other community members. The 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 ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Van Buren Local School District, this includes general operations, food service, and student related activities of the District.

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

The 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 19 and 20 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. Following are the more significant of the District’s accounting policies.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

The District's basic financial statements consist of government-wide financial statements, including a statement of net position 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 position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the 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 District has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the 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 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 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 District.

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Governmental Funds**

Governmental funds are those through which most governmental functions of the 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 and deferred inflows of resources is reported as fund balance. The District's major governmental funds are the General Fund and the Bond Retirement debt service 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes and other revenues restricted for the payment of principal, interest, and related costs on general obligation bonds.

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District did not have any trust funds in fiscal year 2013. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The 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 District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**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, recording of deferred outflows and deferred inflows of resources, 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the 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 District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the District, deferred outflows of resources consists of a deferred charge on refunding reported on the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the life of the old debt or the life of the new debt, whichever is shorter.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources consists of property taxes, payment in lieu of taxes, and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

**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 fund level for all funds. Budgetary allocations at the function and object level for all funds are made by the District Treasurer.

**Note 2 - Summary of Significant Accounting Policies** (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the District prior to fiscal year end.

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 District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

During fiscal year 2013, the District invested in nonnegotiable certificates of deposit, federal agency securities, and mutual funds. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price.

The District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2013 was \$34,017, which includes \$4,662 assigned from other District funds.

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2013, 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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**I. Capital Assets**

All of the 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 position 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 District maintains a capitalization threshold of five 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, 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:

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

**J. Deferred Charge on 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 deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

**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 District will compensate the employees for the benefits through paid time off or some other means. The 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 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 District's termination policy. The 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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

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 Premiums**

On government-wide financial statements, premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable.

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

**N. Net Position**

Net position represents the difference between all other elements on the statement of net position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, and federal and state grants.

The District’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**O. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

**Note 2 - Summary of Significant Accounting Policies** (continued)

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**P. 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.

**Q. 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 2013, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", Statement No. 61, "The Financial Reporting Entity: Omnibus", " Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", Statement No. 65, "Items Previously Reported as Assets and Liabilities", and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements which are a type of public-public or public-private partnership. The implementation of this statement did not result in any change to the District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and the financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change to the District's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. These changes were incorporated in the District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets or liabilities as inflows of resources (revenues) or outflows of resources (expenses or expenditures). These changes were incorporated in the District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

**Note 4 - Accountability**

At June 30, 2013, the Title I and Title II-A special revenue funds had deficit fund balances, in the amount of \$12,852 and \$1,012, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Van Buren Local School District  
Notes to the Basic Financial Statements  
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**Note 5 - Budgetary Basis of Accounting**

While the 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 restricted, committed, or assigned fund balance (GAAP basis).

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

Changes in Fund Balance	
GAAP Basis	(\$142,529)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2012, Received in Cash FY 2013	733,454
Accrued FY 2013, Not Yet Received in Cash	(908,480)
Expenditure Accruals:	
Accrued FY 2012, Paid in Cash FY 2013	(1,037,032)
Accrued FY 2013, Not Yet Paid in Cash	1,041,138
Cash Adjustments:	
Unrecorded Activity FY 2012	5,812
Unrecorded Activity FY 2013	(4,703)
Prepaid Items	2,130
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(92,233)
Budget Basis	<u><u>(\$402,443)</u></u>

**Note 6 - Deposits and Investments**

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

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

**Note 6 - Deposits and Investments** (continued)

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 District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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.

Van Buren Local School District  
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**Note 6 - Deposits and Investments** (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$107,390 of the District's bank balance of \$7,522,612 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 District to a successful claim by the FDIC.

The 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 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, 2013, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Notes	\$250,235	March 21, 2014
Federal Home Loan Mortgage Corporation Notes	250,695	February 28, 2015
Federal Home Loan Mortgage Corporation Notes	250,598	April 17, 2015
Federal Farm Credit Bank Notes	252,613	March 28, 2016
Federal National Mortgage Association Notes	250,490	February 24, 2016
Federal Home Loan Bank Notes	250,118	March 13, 2015
Mutual Fund	16,770	Average 24 days
	<u>\$1,521,519</u>	

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 District.

The Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit Bank Notes, Federal National Mortgage Association Notes, and Federal Home Loan Bank Notes carry a rating of Aaa by Moody's. The mutual funds were not rated. The District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

The following table indicates the percentage of each investment to the District's total portfolio.

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Mortgage Corporation Notes	\$751,528	49.39%
Federal Farm Credit Bank Notes	252,613	16.61
Federal National Mortgage Association Notes	250,490	16.46
Federal Home Loan Bank Notes	250,118	16.44

Van Buren Local School District  
Notes to the Basic Financial Statements  
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**Note 7 - Receivables**

Receivables at June 30, 2013, 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:

	<u>Amount</u>
General Fund	
State of Ohio	\$22,833
School Employees Retirement System	26,427
Total General Fund	<u>49,260</u>
Other Governmental Funds	
Title I	392
Title II-A	3,160
Total Intergovernmental Receivables	<u><u>\$52,812</u></u>

**Note 8 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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.

The District receives property taxes from Hancock County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Note 8 - Property Taxes** (continued)

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2013, 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 inflows of resources - property taxes.

The amount available as an advance at June 30, 2013, was \$832,000 in the General Fund, \$121,000 in the Bond Retirement debt service fund, and \$41,000 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2012, was \$682,000 in the General Fund, \$97,000 in the Bond Retirement debt service fund, and \$34,000 in the Permanent Improvement capital projects fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on an accrual basis. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$129,644,880	55.68%	\$130,777,340	57.91%
Industrial/Commercial	95,313,840	40.94	86,773,150	38.43
Public Utility	7,878,060	3.38	8,271,030	3.66
Total Assessed Value	<u>\$232,836,780</u>	<u>100.00%</u>	<u>\$225,821,520</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.84		\$41.14	

**Note 9 - 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 District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

Van Buren Local School District  
Notes to the Basic Financial Statements  
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**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$168,329	\$0	\$0	\$168,329
Depreciable Capital Assets				
Land Improvements	997,290	0	0	997,290
Buildings and Building Improvements	15,133,685	0	0	15,133,685
Furniture, Fixtures, and Equipment	851,652	13,529	0	865,181
Vehicles	1,270,497	15,000	(20,300)	1,265,197
Total Depreciable Capital Assets	18,253,124	28,529	(20,300)	18,261,353
Less Accumulated Depreciation				
Land Improvements	(277,083)	(44,871)	0	(321,954)
Buildings and Building Improvements	(2,701,199)	(187,866)	0	(2,889,065)
Furniture, Fixtures, and Equipment	(490,098)	(57,356)	0	(547,454)
Vehicles	(757,308)	(64,186)	13,640	(807,854)
Total Accumulated Depreciation	(4,225,688)	(354,279)	13,640	(4,566,327)
Depreciable Capital Assets, Net	14,027,436	(325,750)	(6,660)	13,695,026
Governmental Activities Capital Assets, Net	\$14,195,765	(\$325,750)	(\$6,660)	\$13,863,355

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$135,077
Special	10,838
Vocational	6,227
Support Services:	
Pupils	1,392
Instructional Staff	4,699
Administration	10,297
Fiscal	3,058
Operation and Maintenance of Plant	42,637
Pupil Transportation	66,658
Non-Instructional Services	26,112
Extracurricular Activities	47,284
Total Depreciation Expense	<u>\$354,279</u>

**Note 11 - Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the District contracted for the following insurance coverage:

Coverage provided by the Argonaut Insurance Company is as follows:

General District Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Umbrella Liability	4,000,000
Building and Contents	44,464,225
Automobile Liability	1,000,000
Uninsured Motorists	250,000

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 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 District pays monthly premiums to the Fund for employee medical, dental, and vision 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 2013, the 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 District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Note 12 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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).

**Note 12 - Defined Benefit Pension Plans** (continued)

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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$506,600 and \$7,226 for the fiscal year ended June 30, 2013, \$515,241 and \$6,960 for the fiscal year ended June 30, 2012, and \$511,966 and \$6,926 for the fiscal year ended June 30, 2011. For fiscal year 2013, 83 percent has been contributed for the DBP and the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The contribution to STRS Ohio for the DCP for fiscal year 2013 was \$27,901 made by the District and \$19,929 made by the plan members. In addition, member contributions of \$5,161 were made for fiscal year 2013 for the defined contribution portion of the CP.

**Note 12 - Defined Benefit Pension Plans** (continued)

**B. School Employees Retirement System**

Plan Description - The District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011, was \$181,441, \$139,845, and \$142,476, respectively. For fiscal year 2013, 63 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**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, 2013, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 13 - Postemployment Benefits**

**A. State Teachers Retirement System**

Plan Description - The District participates in 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. Ohio law authorizes STRS Ohio to offer the Plan. 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 can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Note 13 - Postemployment Benefits** (continued)

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$41,671, \$41,376, and \$41,086, respectively. For fiscal year 2013, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**B. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing multiple-employer defined benefit other postemployment 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, Medicare Advantage, 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 obligation 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 can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

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 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2013, this amount was \$20,525. For fiscal year 2013, the District paid \$21,866 in surcharge.

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

The District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$2,216, \$6,056, and \$17,252, respectively. For fiscal year 2013, 63 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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 2013, this actuarially required allocation was .74 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 was \$10,249, \$8,259, and \$9,169, respectively. For fiscal year 2013, 63 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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**Note 14 - Other Employee Benefits**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month to a maximum of two hundred forty-five days. The maximum amount of sick leave days that may be paid upon retirement is sixty-one and one-fourth days for administrators and certified employees and sixty-one days for classified employees.

**B. Health Care Benefits**

The District provides medical, dental, and vision 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 15 - Long-Term Obligations**

Changes in the District's long-term obligations during fiscal year 2013 were as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13	Amounts Due Within One Year
General Obligation Bonds					
2010 School Facilities Construction and Improvement Refunding					
Serial Bonds 2.0 - 5.0%	\$5,715,000	\$0	\$255,000	\$5,460,000	\$925,000
Capital Appreciation Bonds	75,000	0	0	75,000	0
Accretion on Capital Appreciation Bonds	80,584	63,923	0	144,507	0
Premium	667,920	0	29,416	638,504	0
2001 School Facilities Construction and Improvement					
Serial Bonds 3.3 - 4.45%	620,000	0	620,000	0	0
Total General Obligation Bonds	7,158,504	63,923	904,416	6,318,011	925,000
Compensated Absences Payable	594,826	84,277	69,608	609,495	30,972
Total Governmental Activities Long-Term Liabilities	\$7,753,330	\$148,200	\$974,024	\$6,927,506	\$955,972

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Note 15 - Long-Term Obligations** (continued)

School Facilities Construction and Improvement Refunding Bonds FY 2010 - On May 5, 2010, the 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 original amount of \$6,165,000 and \$75,000, respectively. 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.

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 2013, \$63,923 was accreted on the capital appreciation bonds for a total outstanding bond value of the capital appreciation bonds of \$219,507 at fiscal year end.

At June 30, 2013, \$6,240,000 of the refunded bonds was still outstanding.

School Facilities Construction and Improvement Bonds FY 2001 - On March 29, 2001, the 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 capital appreciation bonds were fully retired in fiscal year 2010. The remaining bonds were fully retired in fiscal year 2013 through the Bond Retirement debt service fund.

Compensated absences will be paid from the General Fund.

The District's overall debt margin was \$14,832,397 with an unvoted debt margin of \$217,732 at June 30, 2013.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2013, were as follows:

	General Obligation Bonds			
	Serial	Capital Appreciation	Interest	Total
2014	\$925,000	\$0	\$167,247	\$1,092,247
2015	650,000	0	149,272	799,272
2016	685,000	0	132,224	817,224
2017	0	75,000	757,976	832,976
2018	740,000	0	110,951	850,951
2019-2021	2,460,000	0	165,483	2,625,483
	\$5,460,000	\$75,000	\$1,483,153	\$7,018,153

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

**Note 16 - Fund Balance**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies Inventory	\$0	\$0	\$427	\$427
Prepaid Items	3,764	0	0	3,764
<b>Total Nonspendable</b>	<b>3,764</b>	<b>0</b>	<b>427</b>	<b>4,191</b>
Restricted for:				
Athletics and Music	0	0	73,237	73,237
Debt Retirement	0	771,521	0	771,521
Food Service Operations	0	0	122,223	122,223
Network Connectivity	0	0	5,400	5,400
Permanent Improvements	0	0	672,277	672,277
Regular Instruction	55,755	0	76	55,831
<b>Total Restricted</b>	<b>55,755</b>	<b>771,521</b>	<b>873,213</b>	<b>1,700,489</b>
Committed for:				
Future Severance Payments	147,146	0	0	147,146
Assigned for:				
Educational Activities	55,463	0	0	55,463
Projected Budget Shortage	354,940	0	0	354,940
Regular Instruction	3,011	0	0	3,011
Unpaid Obligations	76,416	0	0	76,416
<b>Total Assigned</b>	<b>489,830</b>	<b>0</b>	<b>0</b>	<b>489,830</b>
Unassigned (Deficit)	6,648,969	0	(13,864)	6,635,105
<b>Total Fund Balance</b>	<b>\$7,345,464</b>	<b>\$771,521</b>	<b>\$859,776</b>	<b>\$8,976,761</b>

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Note 17 - Set Asides**

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. The amount 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. This amount must be carried forward and used for the same purpose in future years.

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2013.

	<u>Capital Improvements</u>
Balance June 30, 2012	\$0
Current Year Set Aside Requirement	174,729
Current Year Offsets	(174,729)
Qualifying Expenditures	<u>0</u>
Reserve Balance June 30, 2013	<u><u>\$0</u></u>

**Note 18 - Interfund Transfers**

During fiscal year 2013, the General Fund made transfers to other governmental funds, in the amount of \$21,500, to subsidize operations in other funds.

**Note 19 - Jointly Governed Organizations**

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

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood 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 2013, the District paid \$25,436 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, 1100 Broad Avenue, Findlay Ohio 45840.

**Note 19 - Jointly Governed Organizations** (continued)

**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 20 - Insurance Pools**

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

The Hancock County Schools Health Benefit 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, and vision insurance benefits to the employees of the participants. Each participants' superintendent is appointed to an Administrative Committee which advises the consultant, Neace Lukens, concerning aspects of the administration of the Fund.

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 Neace Lukens, 285 Cozzins Street, Columbus, Ohio 43215.

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

The 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 21 - Contingencies**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

**B. Litigation**

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

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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The discussion and analysis of Van Buren Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

### **Highlights**

Highlights for fiscal year 2012 were as follows:

Net assets increased \$1,260,883, or 8 percent. This was the eighth year in a row that revenues have exceeded expenses. There was little change in revenues and expenses from the prior fiscal year; however, revenues continue to exceed expenses.

General revenues were \$10,943,673, or 86 percent of all governmental activities revenues and demonstrate the 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 District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in a single column.

### **Reporting the District as a Whole**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2012. 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 year's revenues and expenses regardless of when cash is received or paid.

Van Buren Local School District  
Management's Discussion and Analysis  
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Unaudited

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These statements report the 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 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 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 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.

**Reporting the District's Most Significant Funds**

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

Governmental Funds - All of the 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 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 District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2012 and fiscal year 2011:

Table 1  
Net Assets

	2012	Governmental Activities 2011	Change
<u>Assets:</u>			
Current and Other Assets	\$17,310,685	\$16,031,039	\$1,279,646
Capital Assets, Net	14,195,765	14,374,591	(178,826)
Total Assets	31,506,450	30,405,630	1,100,820

(continued)

Table 1

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

Net Assets (continued)			
	Governmental Activities		
	2012	2011	Change
<u>Liabilities:</u>			
Current and Other Liabilities	\$8,089,390	\$7,456,520	\$632,870
Long-Term Liabilities	7,217,298	8,010,231	(792,933)
Total Liabilities	<u>15,306,688</u>	<u>15,466,751</u>	<u>(160,063)</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	7,785,765	7,139,592	646,173
Restricted	1,502,740	1,803,480	(300,740)
Unrestricted	6,911,257	5,995,807	915,450
Total Net Assets	<u>\$16,199,762</u>	<u>\$14,938,879</u>	<u>\$1,260,883</u>

The above table reflects several significant changes from the prior fiscal year. Note the increase in current and other assets which can generally be attributed to two factors. The first, an increase in cash and cash equivalents reflecting the excess of revenues over expenses for the fiscal year and the other an increase in property taxes receivable (due, in part to, new construction and the termination of a tax increment financing agreement). This increase is also reflected in the increase in unrestricted net assets. The decrease in current and other liabilities is due largely to an increase in deferred revenue (representing the deferred portion of the property tax receivable increase). The decrease in long-term liabilities and corresponding increase in invested in capital assets is due to the payment of principal on general obligation bonds.

Table 2 reflects the changes in net assets for fiscal year 2012 and fiscal year 2011:

Table 2  
Changes in Net Assets

	Governmental Activities		
	2012	2011	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$1,304,502	\$1,259,560	\$44,942
Operating Grants, Contributions, and Interest	449,528	469,264	(19,736)
Capital Grants and Contributions	0	3,437	(3,437)
Total Program Revenues	<u>1,754,030</u>	<u>1,732,261</u>	<u>21,769</u>
General Revenues			
Property Taxes	7,184,177	6,726,051	458,126
Payment in Lieu of Taxes	107,659	169,815	(62,156)
Grants and Entitlements not Restricted to Specific Programs	3,552,225	3,861,437	(309,212)
Interest	33,371	43,521	(10,150)
Gifts and Donations	17,466	61,306	(43,840)
Miscellaneous	48,775	50,522	(1,747)
Total General Revenues	<u>10,943,673</u>	<u>10,912,652</u>	<u>31,021</u>
Total Revenues	<u>12,697,703</u>	<u>12,644,913</u>	<u>52,790</u>

(continued)

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

Table 2  
Changes in Net Assets  
(continued)

	Governmental Activities		
	2012	2011	Change
<u>Expenses:</u>			
Instruction:			
Regular	\$5,075,529	\$5,166,266	\$90,737
Special	1,146,738	657,772	(488,966)
Vocational	197,332	171,208	(26,124)
Support Services:			
Pupils	360,912	757,412	396,500
Instructional Staff	343,185	351,153	7,968
Board of Education	70,721	69,757	(964)
Administration	791,437	821,328	29,891
Fiscal	445,223	415,985	(29,238)
Operation and Maintenance of Plant	1,367,684	1,204,962	(162,722)
Pupil Transportation	582,512	555,648	(26,864)
Central	30,717	32,709	1,992
Non-Instructional Services	311,185	312,555	1,370
Extracurricular Activities	443,975	506,498	62,523
Interest and Fiscal Charges	269,670	295,983	26,313
Total Expenses	<u>11,436,820</u>	<u>11,319,236</u>	<u>(117,584)</u>
Increase in Net Assets	1,260,883	1,325,677	(64,794)
Net Assets at Beginning of Year	<u>14,938,879</u>	<u>13,613,202</u>	<u>1,325,677</u>
Net Assets at End of Year	<u><u>\$16,199,762</u></u>	<u><u>\$14,938,879</u></u>	<u><u>\$1,260,883</u></u>

As reflected in the above table, changes to both program revenues and general revenues from the prior fiscal year were not significant.

Expenses had a very modest 1 percent increase from the prior fiscal year. As to be expected, instruction programs are the District's largest expense, accounting for 56 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 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	
	2012	2011	2012	2011
Instruction:				
Regular	\$5,075,529	\$5,166,266	\$4,087,893	\$4,153,873
Special	1,146,738	657,772	825,582	386,409
Vocational	197,332	171,208	196,519	170,395

(continued)

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

Table 3  
Governmental Activities  
(continued)

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Support Services:				
Pupils	\$360,912	\$757,412	\$360,912	\$752,412
Instructional Staff	343,185	351,153	343,185	351,153
Board of Education	70,721	69,757	70,721	69,757
Administration	791,437	821,328	791,437	821,328
Fiscal	445,223	415,985	445,223	415,985
Operation and Maintenance of Plant	1,367,684	1,204,962	1,367,684	1,202,859
Pupil Transportation	582,512	555,648	569,029	540,465
Central	30,717	32,709	25,317	25,884
Non-Instructional Services	311,185	312,555	7,008	8,441
Extracurricular Activities	443,975	506,498	322,610	392,031
Interest and Fiscal Charges	269,670	295,983	269,670	295,983
Total Expenses	<u>\$11,436,820</u>	<u>\$11,319,236</u>	<u>\$9,682,790</u>	<u>\$9,586,975</u>

The above table demonstrates that very few of the District's programs benefit significantly from program revenues. The special instruction program provided for 28 percent of its costs through program revenues; generally grant resources restricted for special instruction purposes. Over 97 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 27 percent of extracurricular activities costs are paid for through admission charges for athletic events as well as from music or drama productions.

### **The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. For fiscal year 2012, the General Fund reflects an 8 percent increase in fund balance. There was a modest 3 percent increase in revenues, however, an even smaller 2 percent increase in expenditures.

### **General Fund Budgeting Highlights**

The 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.

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Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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During fiscal year 2012, the District amended its General Fund budget as needed. For revenues, there was a 7 percent increase from the original budget to the final budget, primarily related to the estimate for property tax revenues. Changes from the final budget to actual revenues was not significant. For expenditures, changes from the original budget to the final budget were minimal. Actual expenditures were almost 6 percent less than budgeted amounts as savings were realized in all programs and primarily the result of conservative budget practices.

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

#### **Capital Assets**

At the end of fiscal year 2012, the District had \$14,195,765 invested in capital assets (net of accumulated depreciation). Additions consisted primarily of a bus and dump truck. Disposals included a bus. For further information regarding the District's capital assets, refer to Note 10 to the basic financial statements.

#### **Debt**

At June 30, 2012, the District had outstanding general obligation bonds, in the amount of \$6,622,472. These bonds will not be fully retired until fiscal year 2021. The District's long-term obligations also include compensated absences. For further information regarding the District's long-term obligations, refer to Note 15 to the basic financial statements.

### **Current Issues**

The Van Buren Local School District is a rural district located in northern Hancock County. The District serves one thousand forty-one students and employs sixty-seven teachers. The District receives a very small portion its total operating revenue from the State foundation formula for school funding. Rather, the District receives the majority of its funding from its local tax base, which has a present assessed valuation of \$232,836,780.

For the past several years, the District's revenues have exceeded expenses. The current school year's projection shows expenses exceeding revenue. The State's financial condition and other economic factors require constant surveillance by the District. New legislation and funding proposals out of Columbus will also have a major impact on the District's finances and must be monitored closely. The ending of a major TIF agreement and the District's share of tax abatement for the Home Depot warehouse are areas of increased revenue for the District. It is believed that through these increased revenues and good financial practices the District will not need to seek additional revenues from the community at this time, although renewal of two levies will be important in the next couple of years. Reductions in the reimbursement from the State for a portion of the District's lost personal property tax for the next two years are a concern. Failure of the legislature to continue some level of reimbursement in subsequent years could have a negative impact on the District's finances.

Van Buren Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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Contract negotiations with the certified union were challenging with the Board of Education implementing its last, best, final offer which is for a two year period and includes no step increases in either year, no base increase in the first year, and a 1.12 percent base increase in the second year. Members of the bargaining unit that take single coverage medical insurance will see an increase in premium contributions to 5 percent in the first year and to 10 percent in the second year. There was no change to the family contribution of 15 percent. In addition to those increases, the unions were forced to switch over to a different health plan that would result in savings for the District. Negotiations with the classified union resulted in a step freeze for three years (2011-2014), no increase in year one, an increase of 1.125 percent the second year, and 1.125 percent in the third year. The classified union also had concessions in health care plans and increases the same as the above teachers union.

In accordance with the District's strategic plan, actions have been taken in the areas of facilities, technology, and curriculum. One to One computing was expanded from the middle school to include the high school. Each student in grades 6 through 10 was provided with a school owned netbook computer. In fiscal year 2012, the District expanded the program to grades 11 and 12 students. In fiscal year 2013, the program will expand down to grade 5. Distance learning was utilized to expand curricular offerings to the middle school students. This program will also be expanded to the high school. 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 the building to meet future needs. The District has purchased one 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 expansion of facilities as the current campus may not be big enough to meet our future needs. Many of these expenses are possible because of the District's permanent improvement levy which allows the District to take many of these actions without requiring funds from the general operating budget.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Cheryl Swisher, Treasurer, Van Buren Local School District, 217 South Main Street, Van Buren, Ohio 45889-0229.

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Van Buren Local School District  
Statement of Net Assets  
June 30, 2012

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$9,120,199
Accounts Receivable	10,354
Accrued Interest Receivable	11,534
Intergovernmental Receivable	30,866
Prepaid Items	5,894
Inventory Held for Resale	3,362
Materials and Supplies Inventory	479
Property Taxes Receivable	7,902,661
Payment in Lieu of Taxes Receivable	93,448
Unamortized Issuance Cost	131,888
Nondepreciable Capital Assets	168,329
Depreciable Capital Assets, Net	<u>14,027,436</u>
Total Assets	<u>31,506,450</u>
 <u>Liabilities:</u>	
Accounts Payable	55,052
Contracts Payable	5,400
Accrued Wages and Benefits Payable	739,015
Matured Compensated Absences Payable	48,120
Intergovernmental Payable	232,314
Deferred Revenue	6,991,980
Accrued Interest Payable	17,509
Long-Term Liabilities:	
Due Within One Year	900,743
Due in More Than One Year	<u>6,316,555</u>
Total Liabilities	<u>15,306,688</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	7,785,765
Restricted For:	
Debt Service	730,896
Capital Projects	537,984
Other Purposes	233,860
Unrestricted	<u>6,911,257</u>
Total Net Assets	<u><u>\$16,199,762</u></u>

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<b><u>Governmental Activities:</u></b>				
<b>Instruction:</b>				
Regular	\$5,075,529	\$958,163	\$29,473	(\$4,087,893)
Special	1,146,738	31,410	289,746	(825,582)
Vocational	197,332	0	813	(196,519)
<b>Support Services:</b>				
Pupils	360,912	0	0	(360,912)
Instructional Staff	343,185	0	0	(343,185)
Board of Education	70,721	0	0	(70,721)
Administration	791,437	0	0	(791,437)
Fiscal	445,223	0	0	(445,223)
Operation and Maintenance of Plant	1,367,684	0	0	(1,367,684)
Pupil Transportation	582,512	0	13,483	(569,029)
Central	30,717	0	5,400	(25,317)
Non-Instructional Services	311,185	200,923	103,254	(7,008)
Extracurricular Activities	443,975	114,006	7,359	(322,610)
Interest and Fiscal Charges	269,670	0	0	(269,670)
<b>Total Governmental Activities</b>	<b><u>\$11,436,820</u></b>	<b><u>\$1,304,502</u></b>	<b><u>\$449,528</u></b>	<b><u>(9,682,790)</u></b>

**General Revenues:**

Property Taxes Levied for General Purposes	6,064,405
Property Taxes Levied for Debt Service	830,150
Property Taxes Levied for Permanent Improvements	289,622
Payment in Lieu of Taxes	107,659
Grants and Entitlements not Restricted to Specific Programs	3,552,225
Interest	33,371
Gifts and Donations	17,466
Miscellaneous	48,775
<b>Total General Revenues</b>	<b><u>10,943,673</u></b>
 Change in Net Assets	 1,260,883
 Net Assets at Beginning of Year - Restated (Note 3)	 <u>14,938,879</u>
<b>Net Assets at End of Year</b>	<b><u>\$16,199,762</u></b>

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2012

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$7,785,677	\$1,334,522	\$9,120,199
Accounts Receivable	10,299	55	10,354
Accrued Interest Receivable	11,315	219	11,534
Intergovernmental Receivable	750	30,116	30,866
Prepaid Items	5,894	0	5,894
Inventory Held for Resale	0	3,362	3,362
Materials and Supplies Inventory	0	479	479
Property Taxes Receivable	6,684,217	1,218,444	7,902,661
Payment in Lieu of Taxes Receivable	80,739	12,709	93,448
Total Assets	\$14,578,891	\$2,599,906	\$17,178,797
 <u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$47,421	\$7,631	\$55,052
Contracts Payable	0	5,400	5,400
Accrued Wages and Benefits Payable	715,458	23,557	739,015
Matured Compensated Absences Payable	48,120	0	48,120
Intergovernmental Payable	226,033	6,281	232,314
Deferred Revenue	6,053,866	1,110,390	7,164,256
Total Liabilities	7,090,898	1,153,259	8,244,157
 <u>Fund Balances:</u>			
Nonspendable	5,894	479	6,373
Restricted	17,162	1,446,888	1,464,050
Committed	173,557	0	173,557
Assigned	384,013	0	384,013
Unassigned (Deficit)	6,907,367	(720)	6,906,647
Total Fund Balances	7,487,993	1,446,647	8,934,640
Total Liabilities and Fund Balances	\$14,578,891	\$2,599,906	\$17,178,797

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, 2012

Total Governmental Fund Balances		\$8,934,640
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		14,195,765
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	6,944	
Accrued Interest Receivable	10,290	
Intergovernmental Receivable	17,742	
Property Taxes Receivable	137,300	
		172,276
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		131,888
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(17,509)	
General Obligation Bonds Payable	(6,622,472)	
Compensated Absences Payable	(594,826)	
		(7,234,807)
Net Assets of Governmental Activities		\$16,199,762

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2012

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$6,145,549	\$1,133,201	\$7,278,750
Payment in Lieu of Taxes	92,259	15,400	107,659
Intergovernmental	3,173,043	899,143	4,072,186
Interest	28,618	267	28,885
Tuition and Fees	996,089	0	996,089
Extracurricular Activities	7,904	106,102	114,006
Charges for Services	0	200,923	200,923
Gifts and Donations	17,466	10,359	27,825
Miscellaneous	40,934	3,321	44,255
Total Revenues	<u>10,501,862</u>	<u>2,368,716</u>	<u>12,870,578</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,851,429	66,278	4,917,707
Special	1,009,898	122,720	1,132,618
Vocational	153,220	33,572	186,792
Support Services:			
Pupils	186,145	173,375	359,520
Instructional Staff	336,711	0	336,711
Board of Education	70,721	0	70,721
Administration	795,005	0	795,005
Fiscal	441,680	24,598	466,278
Operation and Maintenance of Plant	1,141,096	41,438	1,182,534
Pupil Transportation	595,312	66,736	662,048
Central	27,033	3,684	30,717
Non-Instructional Services	278	289,843	290,121
Extracurricular Activities	286,606	109,378	395,984
Capital Outlay	1,410	168,047	169,457
Debt Service:			
Principal Retirement	0	825,000	825,000
Interest and Fiscal Charges	0	227,211	227,211
Total Expenditures	<u>9,896,544</u>	<u>2,151,880</u>	<u>12,048,424</u>
Excess of Revenues Over Expenditures	<u>605,318</u>	<u>216,836</u>	<u>822,154</u>
<u>Other Financing Sources (Uses):</u>			
Sale of Capital Assets	3,000	0	3,000
Transfers In	0	28,391	28,391
Transfers Out	(28,391)	0	(28,391)
Total Other Financing Sources (Uses)	<u>(25,391)</u>	<u>28,391</u>	<u>3,000</u>
Changes in Fund Balances	579,927	245,227	825,154
Fund Balances at Beginning of Year	6,908,066	1,201,420	8,109,486
Fund Balances at End of Year	<u>\$7,487,993</u>	<u>\$1,446,647</u>	<u>\$8,934,640</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, 2012

Changes in Fund Balances - Total Governmental Funds \$825,154

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 outlay in the current fiscal year:

Capital Outlay - Depreciable Capital Assets	175,921	
Depreciation	(350,393)	
		(174,472)

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

Proceeds from Sale of Capital Assets	(3,000)	
Loss on Disposal of Capital Assets	(1,354)	
		(4,354)

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

Property Taxes	(94,573)	
Intergovernmental	(81,254)	
Interest	4,948	
Tuition and Fees	(6,516)	
Miscellaneous	1,520	
		(175,875)

Repayment of principal is an expenditure in governmental funds but the repayment reduces long-term liabilities on the statement of net assets. 825,000

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. Accounting losses are amortized over the life of the debt on the statement of activities.

Accrued Interest Payable	2,850	
Annual Accretion on Capital Appreciation Bonds	(45,308)	
Amortization of Premium	27,109	
Amortization of Accounting Loss	(21,757)	
		(37,106)

Issuance costs are reported as an expenditure when paid in the governmental funds but are amortized over the life of the debt on the statement of activities (5,353)

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: 7,889

Change in Net Assets of Governmental Activities \$1,260,883

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$5,171,994	\$5,861,436	\$5,861,436	\$0
Payment in Lieu of Taxes	92,309	92,309	92,309	0
Intergovernmental	3,374,075	3,169,178	3,172,293	3,115
Interest	40,000	21,500	21,581	81
Tuition and Fees	710,000	943,664	996,295	52,631
Extracurricular Activities	30,000	26,823	7,904	(18,919)
Gifts and Donations	22,000	33,093	32,266	(827)
Miscellaneous	42,291	40,939	40,368	(571)
<b>Total Revenues</b>	<b>9,482,669</b>	<b>10,188,942</b>	<b>10,224,452</b>	<b>35,510</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	5,318,834	5,115,543	4,901,377	214,166
Special	572,031	1,182,236	1,158,064	24,172
Vocational	237,056	164,072	149,497	14,575
<b>Support Services:</b>				
Pupils	640,336	202,944	186,475	16,469
Instructional Staff	385,009	387,776	337,626	50,150
Board of Education	82,037	103,455	91,967	11,488
Administration	887,330	882,992	779,917	103,075
Fiscal	496,652	503,009	450,292	52,717
Operation and Maintenance of Plant	1,362,625	1,313,716	1,256,445	57,271
Pupil Transportation	574,273	658,830	608,866	49,964
Central	35,736	31,737	27,152	4,585
Extracurricular Activities	353,382	336,959	295,488	41,471
Capital Outlay	5,000	5,000	1,410	3,590
<b>Total Expenditures</b>	<b>10,950,301</b>	<b>10,888,269</b>	<b>10,244,576</b>	<b>643,693</b>
Excess of Expenditures Over Revenues	(1,467,632)	(699,327)	(20,124)	679,203
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	3,000	3,000	0
Refund of Prior Year Expenditures	0	663	363	(300)
Transfers Out	(70,000)	(462,497)	(28,391)	434,106
<b>Total Other Financing Sources (Uses)</b>	<b>(70,000)</b>	<b>(458,834)</b>	<b>(25,028)</b>	<b>433,806</b>
Changes in Fund Balance	(1,537,632)	(1,158,161)	(45,152)	1,113,009
Fund Balance at Beginning of Year	7,265,610	7,265,610	7,265,610	0
Prior Year Encumbrances Appropriated	214,299	214,299	214,299	0
<b>Fund Balance at End of Year</b>	<b>\$5,942,277</b>	<b>\$6,321,748</b>	<b>\$7,434,757</b>	<b>\$1,113,009</b>

See Accompanying Notes to the Basic Financial Statements

Van Buren Local School District  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2012

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$24,945</u></u>
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Liabilities:

Due to Students	<u><u>\$24,945</u></u>
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See Accompanying Notes to the Basic Financial Statements

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

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

The District was established in 1936. The 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 District is the 471<sup>st</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty-two classified employees, sixty-seven certified teaching personnel, and eight administrative employees who provide services to one thousand forty-one students and other community members. The 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 ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Van Buren Local School District, this includes general operations, food service, and student related activities of the District.

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

The 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 19 and 20 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 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 District’s accounting policies.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

The 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 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 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 District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the 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 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 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 District.

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Governmental Funds**

Governmental funds are those through which most governmental functions of the 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 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the District account for grants and other resources whose use is restricted, committed, or assigned 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 District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District did not have any trust funds in fiscal year 2012. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The 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 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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the 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 District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Deferred Revenues**

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

Property taxes for which there was an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**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 fund level for all funds. Budgetary allocations at the function and object level for all funds are made by the 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 final amended certificate of estimated resources requested by the District prior to year end.

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 District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2012, the District invested in nonnegotiable certificates of deposit, federal agency securities, and mutual funds. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price.

**Note 2 - Summary of Significant Accounting Policies** (continued)

The District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2012 was \$28,618, which includes \$6,654 assigned from other District funds.

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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. Capital Assets**

All of the 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 District maintains a capitalization threshold of five 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, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the District will compensate the employees for the benefits through paid time off or some other means. The 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 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 District's termination policy. The 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.

**K. 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.

**L. 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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**M. 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.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use 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 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.

**O. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**P. 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.

**Q. 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 and Restatement of Net Assets**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has increased the capital asset threshold by \$3,000, from \$2,000 to \$5,000.

**B. Restatement of Net Assets**

The restatement, due to the change in capital assets, had the following effect on net assets.

	Governmental Activities
Net Assets at June 30, 2011	\$15,218,531
Depreciable Capital Assets	(636,341)
Accumulated Depreciation	356,689
Restated Net Assets at June 30, 2011	<u>\$14,938,879</u>

Van Buren Local School District  
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**Note 4 - Accountability**

At June 30, 2012, the Title I special revenue fund had a deficit fund balance, in the amount of \$720, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

While the 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 restricted, committed, or assigned fund balance (GAAP basis).

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

Changes in Fund Balance

GAAP Basis	\$579,927
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2011, Received in Cash FY 2012	462,224
Accrued FY 2012, Not Yet Received in Cash	(733,454)
Expenditure Accruals:	
Accrued FY 2011, Paid in Cash FY 2012	(1,051,131)
Accrued FY 2012, Not Yet Paid in Cash	1,037,032
Cash Adjustments:	
Unrecorded Activity FY 2012	(5,812)
Prepaid Items	937
Materials and Supplies Inventory	10,233
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(345,108)
Budget Basis	(\$45,152)

**Note 6 - Deposits and Investments**

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

Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active monies must be maintained either as cash in the 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 District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 6 - Deposits and Investments** (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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 District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,503,027 of the District's bank balance of \$7,272,370 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 District to a successful claim by the FDIC.

The 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 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, 2012, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Notes	\$249,885	March 21, 2014
Federal Home Loan Mortgage Corporation Notes	250,660	February 28, 2015
Federal Home Loan Mortgage Corporation Notes	250,015	April 17, 2015
Federal National Mortgage Association Notes	250,212	February 24, 2016
Federal National Mortgage Association Notes	250,410	March 14, 2017
Federal Home Loan Bank Notes	249,108	March 13, 2015
Federal Home Loan Bank Notes	250,045	April 13, 2017
Federal Farm Credit Bank Notes	253,420	March 28, 2016
Mutual Fund	2,112	Average 24 days
	<u>\$2,005,867</u>	

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 District.

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 6 - Deposits and Investments** (continued)

The Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, and the Federal Farm Credit Bank Notes carry a rating of Aaa by Moody's. The mutual funds are not rated. The District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

The following table indicates the percentage of each investment to the District's total portfolio.

	Fair Value	Percentage of Portfolio
Federal Home Loan Mortgage Corporation Notes	\$750,560	37.42%
Federal National Mortgage Association Notes	500,622	24.96
Federal Home Loan Bank Notes	499,153	24.88
Federal Farm Credit Bank Notes	253,420	12.63

**Note 7 - Receivables**

Receivables at June 30, 2012, 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
General Fund	
State of Ohio	\$750
Other Governmental Funds	
Education Jobs	2,504
Title I	27,612
Total Intergovernmental Receivables	\$30,866

**Note 8 - Property Taxes**

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

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 8 - Property Taxes** (continued)

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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.

The District receives property taxes from Hancock County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2012, 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, 2012, was \$682,000 in the General Fund, \$97,000 in the Bond Retirement debt service fund, and \$34,000 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2011, was \$397,887 in the General Fund, \$58,011 in the Bond Retirement debt service fund, and \$19,385 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 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$128,132,890	58.04%	\$129,644,880	55.68%
Industrial/Commercial	85,109,130	38.56	95,313,840	40.94
Public Utility	7,514,210	3.40	7,878,060	3.38
Total Assessed Value	<u>\$220,756,230</u>	<u>100.00%</u>	<u>\$232,836,780</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.10		\$40.84	

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 9 - 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 District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Restated Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$168,329	\$0	\$0	\$168,329
Depreciable Capital Assets				
Land Improvements	997,290	0	0	997,290
Buildings and Building Improvements	15,133,685	0	0	15,133,685
Furniture, Fixtures, and Equipment	840,268	21,589	(10,205)	851,652
Vehicles	1,176,435	154,332	(60,270)	1,270,497
Total Depreciable Capital Assets	18,147,678	175,921	(70,475)	18,253,124
Less Accumulated Depreciation				
Land Improvements	(232,054)	(45,029)	0	(277,083)
Buildings and Building Improvements	(2,513,334)	(187,865)	0	(2,701,199)
Furniture, Fixtures, and Equipment	(442,658)	(53,291)	5,851	(490,098)
Vehicles	(753,370)	(64,208)	60,270	(757,308)
Total Accumulated Depreciation	(3,941,416)	(350,393)	66,121	(4,225,688)
Depreciable Capital Assets, Net	14,206,262	(174,472)	(4,354)	14,027,436
Governmental Activities Capital Assets, Net	\$14,374,591	(\$174,472)	(\$4,354)	\$14,195,765

Van Buren Local School District  
Notes to the Basic Financial Statements  
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**Note 10 - Capital Assets** (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$134,153
Special	10,838
Vocational	6,227
Support Services:	
Pupils	1,392
Instructional Staff	4,699
Administration	10,938
Fiscal	3,058
Operation and Maintenance of Plant	41,890
Pupil Transportation	67,865
Non-Instructional Services	21,342
Extracurricular Activities	47,991
Total Depreciation Expense	<u>\$350,393</u>

**Note 11 - Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the District contracted for the following insurance coverage:

Coverage provided by the Netherlands Insurance Company is as follows:

General District Liability	
Per Occurrence	\$1,000,000
Aggregate	2,000,000
Umbrella Liability	4,000,000
Building and Contents	44,464,225
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 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 District pays monthly premiums to the Fund for employee medical, dental, and vision 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.

**Note 11 - Risk Management** (continued)

For fiscal year 2012, the 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 District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Note 12 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

**Note 12 - Defined Benefit Pension Plans** (continued)

The District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$515,241 and \$6,960 for the fiscal year ended June 30, 2012, \$511,966 and \$6,926 for the fiscal year ended June 30, 2011, and \$493,005 and \$6,501 for the fiscal year ended June 30, 2010. For fiscal year 2012, 84 percent has been contributed for the DBP and the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The contribution to STRS Ohio for the DCP for fiscal year 2012 was \$15,690 made by the District and \$11,207 made by the plan members. In addition, member contributions of \$4,972 were made for fiscal year 2012 for the defined contribution portion of the CP.

**B. School Employees Retirement System**

Plan Description - The District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010, was \$139,845, \$142,476, and \$145,763, respectively. For fiscal year 2012, 45 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**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, 2012, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 13 - Postemployment Benefits**

**A. State Teachers Retirement System**

Plan Description - The District participates in 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. Ohio law authorizes STRS Ohio to offer the Plan. 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 can 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 - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$41,376, \$41,086, and \$39,478, respectively. For fiscal year 2012, 84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**B. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing multiple-employer defined benefit other postemployment 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, Medicare Advantage, 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 obligation 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 can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

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 105(e). For fiscal year 2012, .55 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 2012, this amount was \$35,800. For fiscal year 2012, the District paid \$18,910 in surcharge.

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.

**Note 13 - Postemployment Benefits** (continued)

The District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$6,056, \$17,252, and \$5,247, respectively. For fiscal year 2012, 45 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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 2012, this actuarially required allocation was .75 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$8,259, \$9,169, and \$8,668, respectively. For fiscal year 2012, 45 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**Note 14 - Other Employee Benefits**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month, to a maximum of two hundred forty-five days. The maximum amount of sick leave days that may be paid upon retirement is sixty-one and one-fourth days for administrators and certified employees and sixty-one days for classified employees.

**B. Health Care Benefits**

The District provides medical, dental, and vision 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.

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**Note 15 - Long-Term Obligations**

Changes in the District's long-term obligations during fiscal year 2012 were as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12	Amounts Due Within One Year
<b>General Obligation Bonds</b>					
<b>2010 School Facilities Construction and Improvement Refunding</b>					
Serial Bonds 2.0 - 5.0%	\$5,950,000	\$0	\$235,000	\$5,715,000	\$255,000
Capital Appreciation Bonds	75,000	0	0	75,000	0
Accretion on Capital Appreciation Bonds	35,276	45,308	0	80,584	0
Premium	695,029	0	27,109	667,920	0
Accounting Loss	(557,789)	0	(21,757)	(536,032)	0
<b>2001 School Facilities Construction and Improvement</b>					
Serial Bonds 3.3 - 4.45%	1,210,000	0	590,000	620,000	620,000
<b>Total General Obligation Bonds</b>	<b>7,407,516</b>	<b>45,308</b>	<b>830,352</b>	<b>6,622,472</b>	<b>875,000</b>
Compensated Absences Payable	602,715	9,931	17,820	594,826	25,743
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$8,010,231</b>	<b>\$55,239</b>	<b>\$848,172</b>	<b>\$7,217,298</b>	<b>\$900,743</b>

School Facilities Construction and Improvement Refunding Bonds FY 2010 - On May 5, 2010, the 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 original amount of \$6,165,000 and \$75,000, respectively. 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.

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 2012, \$45,308 was accreted on the capital appreciation bonds for a total outstanding bond value of the capital appreciation bonds of \$155,584 at fiscal year end.

At June 30, 2012, \$6,240,000 of the refunded bonds was still outstanding.

School Facilities Construction and Improvement Bonds FY 2001 - On March 29, 2001, the 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 capital appreciation bonds were fully retired in fiscal year 2010. The remaining bonds are being retired through the Bond Retirement debt service fund.

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 15 - Long-Term Obligations** (continued)

The serial bonds maturing after December 1, 2011, are subject to redemption, at the option of the 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.

Compensated absences will be paid from the General Fund.

The District's overall debt margin was \$13,891,451 with an unvoted debt margin of \$217,428 at June 30, 2012.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2012, were as follows:

	General Obligation Bonds			
	Serial	Capital Appreciation	Interest	Total
2013	\$875,000	\$0	\$193,766	\$1,068,766
2014	925,000	0	167,247	1,092,247
2015	650,000	0	149,272	799,272
2016	685,000	0	132,224	817,224
2017	0	75,000	757,976	832,976
2018-2021	3,200,000	0	276,434	3,476,434
	\$6,335,000	\$75,000	\$1,676,919	\$8,086,919

**Note 16 - Fund Balance**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 16 - Fund Balance** (continued)

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Other Governmental	Total Governmental Funds
Nonspendable for:			
Materials and Supplies			
Inventory	\$0	\$479	\$479
Prepaid Items	5,894	0	5,894
<b>Total Nonspendable</b>	<b>5,894</b>	<b>479</b>	<b>6,373</b>
Restricted for:			
Athletics and Music	0	45,656	45,656
Debt Retirement	0	732,927	732,927
Food Service Operations	0	127,612	127,612
Network Connectivity	0	2,700	2,700
Permanent Improvements	0	532,489	532,489
Regular Instruction	17,162	5,504	22,666
<b>Total Restricted</b>	<b>17,162</b>	<b>1,446,888</b>	<b>1,464,050</b>
Committed for:			
Future Severance Payments	173,557	0	173,557
Assigned for:			
Educational Activities	48,654	0	48,654
Regular Instruction	2,136	0	2,136
Unpaid Obligations	333,223	0	333,223
<b>Total Assigned</b>	<b>384,013</b>	<b>0</b>	<b>384,013</b>
Unassigned (Deficit)	6,907,367	(720)	6,906,647
<b>Total Fund Balance</b>	<b>\$7,487,993</b>	<b>\$1,446,647</b>	<b>\$8,934,640</b>

**Note 17 - Set Asides**

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. The amount 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. This amount must be carried forward and used for the same purpose in future years.

Van Buren Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 17 - Set Asides** (continued)

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2012.

	<u>Capital Improvements</u>
Balance June 30, 2011	\$0
Current Year Set Aside Requirement	176,577
Current Year Offsets	(176,577)
Qualifying Expenditures	0
Reserve Balance June 30, 2012	<u>\$0</u>

**Note 18 - Interfund Transfers**

During fiscal year 2012, the General Fund made transfers to other governmental funds, in the amount of \$28,391, to subsidize operations in other funds.

**Note 19 - Jointly Governed Organizations**

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

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2012, the District paid \$36,612 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.

**Note 19 - Jointly Governed Organizations** (continued)

**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 45822-1736.

**Note 20 - 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, and vision insurance benefits to the employees of the participants. Each participants' superintendent is appointed to an Administrative Committee which advises the consultant concerning aspects of the administration of the Fund.

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 Neace Lukens, 285 Cozzins Street, Columbus, Ohio 43215.

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

The 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 21 - Contingencies**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

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



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Van Buren Local School District  
Hancock County  
217 South Main Street  
Van Buren, Ohio 45889-0229

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, Ohio (the District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 23, 2015, wherein we noted the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* in fiscal year 2013.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies in internal control. We consider findings 2013-005 through 2013-008 to be significant deficiencies.

***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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 through 2013-004.

***Entity's Response to Findings***

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 23, 2015

VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2013-001

**Finding For Recovery Repaid Under Audit**

*State ex rel McClure v. Hagerman (1951), 155 Ohio St. 320* provides expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable.

On August 15, 2011, the Van Buren Local School District Board of Education entered into a contract with Cheryl A. Swisher to perform the duties of Treasurer for the period of August 15, 2011 to July 31, 2012. Section 4 of the contract, SALARY/PER DIEM RATE, states that “The Board agrees to pay the Treasurer an annual salary of Seventy-two Thousand Dollars (\$72,000) per contract year (August 1 through July 31), to be paid in 26 installments in accordance with the payroll procedures applicable generally to administrative District employees. The salary shall be prorated for any partial contract year of service.

The Treasurer salary was correctly prorated and set up in the District payroll system to be paid 25 installments as the Treasurer was not employed by the District for the first pay period of the contract (August 1 to August 14). On August 31, 2012 the Treasurer calculated and paid herself the 26<sup>th</sup> installment on this contract resulting in an overpayment of \$2,748.11. In May of 2014, the Board of Education retroactively approved this payment; however, the Board cannot approve an illegal expenditure.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Cheryl A. Swisher, Treasurer, and in the amount of \$2,748.11, and in favor of the Van Buren Local School District General Fund.

The \$2,748.11 was repaid under audit to the District’s General Fund on November 7, 2014.

**Officials’ Response:**

The District believed the Treasurer was being paid correctly and that the Board had properly approved her compensation.

**FINDING NUMBER 2013-002**

**Finding For Recovery Repaid Under Audit**

***State ex rel McClure v. Hagerman (1951), 155 Ohio St. 320*** provides expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Auditor of State Bulletin 2003-005 states governmental entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin indicates the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

On November 13, 2013, Superintendent Timothy Myers charged a hotel room to the District’s credit card. Included in the room payment was a charge of \$2.68 for a beer purchase from the hotel room’s Servobar. Expending public funds for the purchase of alcohol in this instance is not a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Timothy Myers, Superintendent, and in the amount of \$2.68, and in favor of the Van Buren Local School District General Fund.

The \$2.68 was repaid under audit to the District’s General Fund on November 24, 2014.

**Officials’ Response:**

The Superintendent states he ordered a juice and it was miscoded as beer.

**FINDING NUMBER 2013-003**

**Finding For Recovery Repaid Under Audit**

***Ohio Rev. Code § 3313.12*** provides that each member of the governing board may be paid for attendance of any meeting of the Board, provided that any such compensation does not exceed \$125 per day. The Van Buren Local School District Board of Education has established pay for members to be \$125 per meeting at a maximum of 13 meetings.

For calendar year 2012, Board Members Kenneth Rowles, Edward Van Horn and Jeffery Salisbury were paid for 13 meetings. However Mr. Rowles and Mr. Van Horn only attended 9 meetings and Mr. Salisbury only attended 11 meetings. This resulted in an overpayment of \$500 to both Mr. Rowles and Mr. Van Horn and \$250 to Mr. Salisbury.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Kenneth Rowles and Edward Van Horn, and in the amount of \$500 each and Jeffery Salisbury and in the amount of \$250, and in favor of the Van Buren Local School District General Fund.

Kenneth Rowles repaid \$500 to the District’s General Fund on January 17, 2014. Edward Van Horn repaid \$500 and Jeffery Salisbury repaid \$250 to the District’s General Fund on January 27, 2014.

**Officials’ Response:**

The Treasurer now reviews all payroll documents to ensure that information is accurate.

#### FINDING NUMBER 2013-004

##### Finding For Recovery Repaid Under Audit

***State ex rel McClure v. Hagerman (1951), 155 Ohio St. 320*** provides expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable.

The Treasurer submitted multiple reimbursement requests during fiscal years 2013 and 2012, many of which contained errors. We found mileage amounts overstated or misstated by the Treasurer which resulted in an overpayment of \$259.61. Additionally, Ms. Swisher received mileage reimbursements totaling \$205.44 for travel that was previously billed to the District, resulting in total improper reimbursement of \$465.05.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Cheryl A. Swisher, Treasurer, and in the amount of \$465.05, and in favor of the Van Buren Local School District General Fund.

This finding is considered repaid under audit. The Treasurer repaid \$188.70 on January 17, 2014, \$16.74 on November 3, 2014 and the remaining finding balance of \$259.61 on November 20, 2014, all to the Van Buren Local School District General Fund.

##### Officials' Response:

The District has instituted new policies and administrative guidelines to define starting and end points for purposes of travel reimbursement. In addition, the Treasurer has created a mileage log to standardize allowable mileage to frequent destinations.

#### FINDING NUMBER 2013-005

##### Significant Deficiency

##### Credit Card Access

The District's Board Policy 6423, paragraph three states, “The Superintendent shall develop administrative guidelines that specify those employees authorized to use credit cards.” Paragraph four of the same policy states, “The Board directs the Treasurer to determine and specify those employees authorized to use District credit cards.”

When we requested the District provide a list of all employees with credit cards, they provided an employee directory and highlighted the names of those employees with credit cards. The District maintains 119 credit cards, in individual names, for various District employees, including bus drivers, cafeteria workers and custodians. Nearly every teacher and secretary, and half of the teachers' aides have access to the credit cards; only 15 employees do not have credit cards. Nine employees physically have their credit card in their possession; the other cards are kept at the Treasurer's office. Only the nine employees carrying cards in their possession were required to sign a Purchasing Cardholder Use Agreement with the District.

There were instances where building secretaries were using their principal's credit card; several custodians signed on the custodian supervisor's credit card or each other's cards; and, one principal's wife ordered District items over the internet and secured lodging reservations for the principal using his

District credit card even though she was not an employee of the District.

Having so many employees with access to credit cards makes it extremely difficult to maintain control over purchases. Additionally, not having all employees sign the Purchasing Cardholder Use Agreement can result in employees being unclear of credit card expectations and potentially using the cards for improper purposes. Also, excessive use of credit cards by so many employees could be construed as a direct attempt to circumvent normal purchasing procedures.

We recommend the Superintendent and Treasurer collaborate to determine which employees should be authorized to use credit cards and whether 119 cards are truly needed.

**Officials' Response:**

The Treasurer is looking into a new purchasing card program and is cancelling cards for non-essential personnel. The Treasurer now reviews all purchasing card bills and prepares a listing for Board approval every month. All staff will be given purchasing policies and these policies will be emphasized at the beginning of the year in service trainings.

**FINDING NUMBER 2013-006**

**Significant Deficiency**

**Segregation of Duties**

The Superintendent and Treasurer each approved his or her own travel and other expenses. Additionally, the Treasurer physically processed the checks to pay herself these reimbursements, even though this duty is handled by the Assistant Treasurer for all other District employees.

This lack of segregation of duties can and has resulted in errors and/or irregularities not being discovered in a timely manner. Additionally, in certain instances within this report, failure to segregate and monitor activities has resulted in various Findings for Recovery against both the Superintendent and Treasurer.

We recommend that duties be segregated to ensure that no single individual has control over all aspects of a transaction. Additionally, the Board should take a more active role in monitoring transactions. As a matter of internal control, someone independent from the person receiving reimbursement should be approving those payments.

**Officials' Response:**

The Superintendent now reviews and approves the Treasurer's mileage and the Treasurer reviews the Superintendent's. The reimbursements are now processed by the Assistant Treasurer which is consistent with other employees. A mileage check report is now presented to the Board monthly for their review.

**FINDING NUMBER 2013-007**

**Significant Deficiency**

**Credit Card Expenditures**

The District charges a large number of expenditures to District credit cards. Payment for these expenditures is processed electronically and initiated by the Treasurer.

The Assistant Treasurer is responsible for gathering the supporting documentation and posting the memo expense to the system by the date the transfer of funds occurs. Although some of the charges are approved by the Board in advance, the Board does not receive a detailed breakdown of all items purchased on District credit cards.

Because the Board only receives a check listing for approval rather than detailed documentation, there is very little oversight regarding what items are purchased on District credit cards. Failure to provide this information to the Board could cause unauthorized purchases to go undetected and could also lead to expenditures that are not proper public disbursements.

Additionally, meal receipts are often submitted without the detailed breakdown of items purchased or who was in attendance at a meal. On at least one occasion, the District credit card was used to purchase alcohol.

We observed over \$22,000 in credit card expenditures which were either not supported by an invoice or receipt or were not supported by sufficiently detailed documentation.

We recommend the Board review the credit card statements and detail of purchases each month to provide some assurance the credit cards are being used appropriately. Further, we recommend the Treasurer not pay any portion of the credit card statement unless the employees submit detailed receipts with identification of those in attendance at any meals purchased.

**Officials' Response:**

See our response to Finding 2013-005.

**FINDING NUMBER 2013-008**

**Significant Deficiency**

**Mistakes on Treasurer's Travel Reimbursement Forms**

The Treasurer routinely made mistakes on her travel form, including use of the wrong dates and incorrect mileage amounts. During the course of our audit, after inquiring with Ms. Swisher regarding certain items on her travel form, Ms. Swisher began reviewing her travel forms and brought certain mistakes to our attention; however, we noted many additional errors contained in these documents.

Routinely making mistakes on travel reimbursement forms can cause the integrity of the Treasurer's office to be questioned, and can result in the District paying fraudulent claims.

We recommend the Treasurer improve her accuracy when submitting reimbursement claims to the District, keeping in mind District funds are public monies and should be disbursed with the utmost accuracy.

**Officials' Response:**

See our responses to Findings 2013-004 and 2013-006.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Van Buren Local School District  
Hancock County  
217 South Main Street  
Van Buren, Ohio 45889-9720

To the Board of Education:

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

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

We noted the Board amended its anti-harassment policy at its meeting on June 14, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

January 23, 2015

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# 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  
FEBRUARY 10, 2015**