



Dave Yost • Auditor of State



**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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2017, 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 such 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, the major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**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*, and schedules of net pension liabilities and pension contributions 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 July 10, 2018, 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

July 10, 2018

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

The management's discussion and analysis of the Van Buren Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position of governmental activities decreased \$737,467 which represents a 21.16% decrease from 2016.
- General revenues accounted for \$10,904,508 in revenue or 82.73% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,275,869 or 17.27% of total revenues of \$13,180,377.
- The School District had \$13,917,844 in expenses related to governmental activities; \$2,275,869 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,904,508 were not adequate to provide for these programs.
- The School District's major governmental fund is the general fund. The general fund had \$11,194,119 in revenues and \$11,785,566 in expenditures. During fiscal year 2017, the general fund's fund balance decreased \$591,447 from a balance of \$6,971,472 to \$6,380,025.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund is the only major governmental fund.

**Reporting the School District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues* and *expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some

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FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
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financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

***Fund Financial Statements***

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements.

***Fiduciary Funds***

The School District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability.



**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

**The School District as a Whole**

The statement of net position provides the perspective of the School District as a whole. The table below provides a summary of the School District's net position at June 30, 2017 and 2016.

	<b>Net Position</b>	
	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 15,309,716	\$ 15,559,986
Capital assets, net	<u>13,252,911</u>	<u>13,326,326</u>
Total assets	<u>28,562,627</u>	<u>28,886,312</u>
<b><u>Deferred Outflows of Resources</u></b>		
Unamortized deferred charges on debt refunding	296,253	303,195
Pension	<u>3,363,665</u>	<u>1,524,190</u>
Total deferred outflows of resources	<u>3,659,918</u>	<u>1,827,385</u>
<b><u>Liabilities</u></b>		
Current liabilities	835,477	1,092,816
Long-term liabilities:		
Due within one year	766,968	625,286
Due in more than one year:		
Net pension liability	17,726,121	14,397,706
Other amounts	<u>3,490,497</u>	<u>4,188,415</u>
Total liabilities	<u>22,819,063</u>	<u>20,304,223</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes and PILOTs levied for next year	6,642,915	6,003,612
Pensions	<u>13,507</u>	<u>921,335</u>
Total deferred inflows of resources	<u>6,656,422</u>	<u>6,924,947</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	9,980,020	9,976,725
Restricted	1,206,528	781,762
Unrestricted (deficit)	<u>(8,439,488)</u>	<u>(7,273,960)</u>
Total net position	<u>\$ 2,747,060</u>	<u>\$ 3,484,527</u>

The School District has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the School District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$2,747,060. The unrestricted net position is a deficit of 8,439,488.

Total assets of the School District decreased \$323,685 or 1.12%. Current and other assets decreased \$250,270 or 1.61% due primarily to a decrease in equity and pooled cash.

At year-end, capital assets represented 46.40% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture/fixtures/equipment and vehicles. Net investment in capital assets at June 30, 2017, was \$9,980,020.

**VAN BUREN LOCAL SCHOOL DISTRICT  
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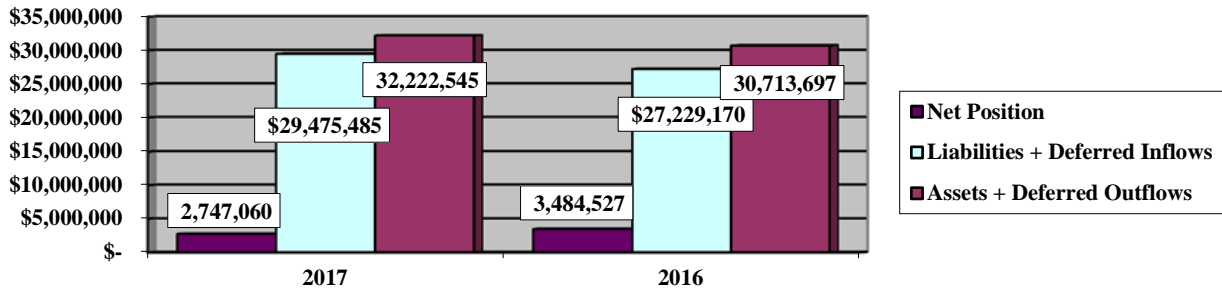
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

Liabilities of the School District increased \$2,514,840 or 12.39%. The primary reason for this increase is due an increase in net pension liability. For more information on net pension liability see Note 14.

A portion of the School District's net position, \$1,206,528, represents resources that are subject to external restriction on how they may be used. The largest restricted amounts consist of \$120,498 restricted for capital projects and \$779,545 restricted for debt service. The remaining balance of unrestricted net position is a deficit of \$8,439,488.

The graph below illustrates the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2017 and 2016.

**Governmental Activities**



The table that follows shows the change in net position for fiscal year 2017 and 2016.

	<u>Change in Net Position</u>	
	<u>Governmental Activities 2017</u>	<u>Governmental Activities 2016</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,662,285	\$ 1,586,945
Operating grants and contributions	613,584	717,133
General revenues:		
Taxes	7,312,523	7,141,795
Payment in lieu of taxes	51,711	110,417
Grants and entitlements	3,447,046	3,526,465
Interest	27,506	115,555
Miscellaneous	65,722	77,664
<b>Total revenues</b>	<u>13,180,377</u>	<u>13,275,974</u>

(Continued)

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	<b>Change in Net Position (Continued)</b>	
	Governmental Activities	Governmental Activities
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,973,544	\$ 5,253,881
Special	1,348,675	1,221,995
Vocational	246,887	288,560
Adult	-	50
Other	581,160	617,316
Support services:		
Pupil	795,437	709,665
Instructional staff	390,832	397,683
Board of education	63,169	95,474
Administration	787,441	726,760
Fiscal	463,149	388,075
Operations and maintenance	1,374,899	1,568,190
Pupil transportation	697,852	737,472
Central	69,683	92,296
Operation of non-instructional services:		
Food service operations	318,467	286,136
Extracurricular activities	591,838	479,660
Interest and fiscal charges	214,811	294,668
Total expenses	13,917,844	13,157,881
Change in net position	(737,467)	118,093
Net position at beginning of year	3,484,527	3,366,434
Net position at end of year	\$ 2,747,060	\$ 3,484,527

**Governmental Activities**

Net position of the School District's governmental activities decreased \$737,467. Total governmental expenses of \$13,917,844 were partially offset by program revenues of \$2,275,869 and general revenues of \$10,904,508. Program revenues supported 16.35% of the total governmental expenses.

Revenues of the School District decreased \$95,597. This decrease is primarily due to a decrease in interest revenues. Interest revenues decreased due to a decrease in the fair market value of the District's various investments.

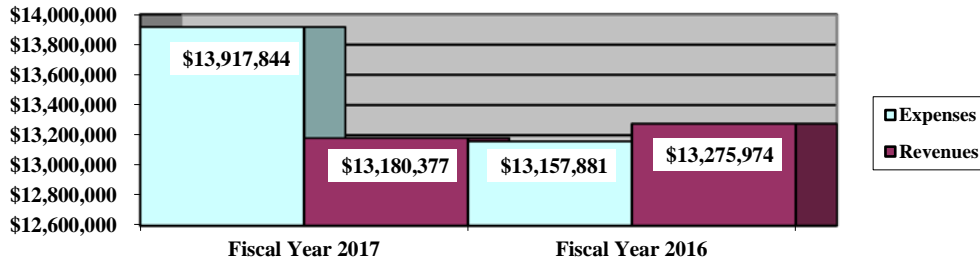
The largest expense of the School District is for instructional programs. Instruction expenses totaled \$8,150,266 or 58.56% of total governmental expenses for fiscal year 2017. Overall expenses of the School District increased \$759,963. This increase was due to increases in expenditures relating to regular and special instruction during the year.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

The graph below presents the School District's governmental activities revenues and expenses for fiscal year 2017 and 2016.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and sales and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,973,544	\$ 4,637,055	\$ 5,253,881	\$ 3,996,780
Special	1,348,675	1,078,523	1,221,995	884,910
Vocational	246,887	240,826	288,560	279,469
Adult	-	-	50	50
Other	581,160	581,160	617,316	617,316
Support services:				
Pupil	795,437	613,419	709,665	536,282
Instructional staff	390,832	381,892	397,683	389,882
Board of education	63,169	63,169	95,474	95,474
Administration	787,441	787,441	726,760	726,760
Fiscal	463,149	463,149	388,075	388,075
Operations and maintenance	1,374,899	1,374,849	1,568,190	1,568,050
Pupil transportation	697,852	661,390	737,472	697,290
Central	69,683	64,283	92,296	53,569
Operation of non-instructional services:				
Food service operations	318,467	30,001	286,136	(5,206)
Extracurricular activities	591,838	450,007	479,660	330,434
Interest and fiscal charges	214,811	214,811	294,668	294,668
<b>Total expenses</b>	<u>\$ 13,917,844</u>	<u>\$ 11,641,975</u>	<u>\$ 13,157,881</u>	<u>\$ 10,853,803</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 80.21% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue

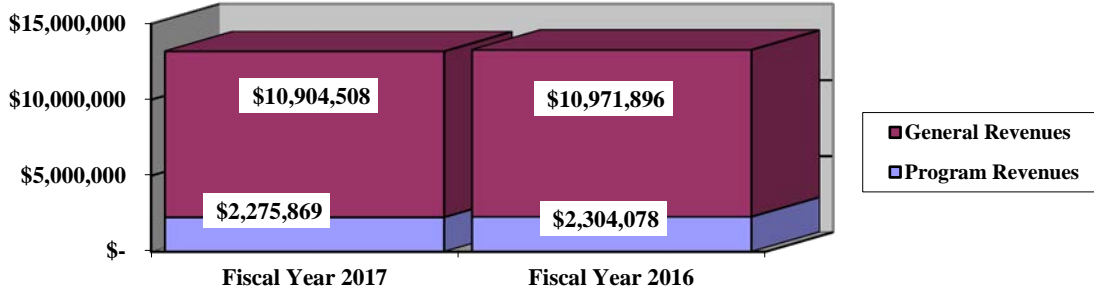
**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
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support is 83.65%. The School District's taxpayers and grants and entitlements received from the State of Ohio that are not restricted in use are by far the primary support for School District's students.

The graph below presents the School District's governmental activities revenue for fiscal year 2017 and 2016.

**Governmental Activities - General and Program Revenues**



**The School District's Funds**

The School District's governmental funds reported a combined fund balance of \$7,562,460, which is lower than last year's total of \$8,290,425. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance <u>June 30, 2017</u>	Fund Balance <u>June 30, 2016</u>	<u>Change</u>	Percentage <u>Change</u>
General	\$ 6,380,025	\$ 6,971,472	\$ (591,447)	(8.48) %
Other governmental	<u>1,182,435</u>	<u>1,318,953</u>	<u>(136,518)</u>	(10.35) %
Total	<u>\$ 7,562,460</u>	<u>\$ 8,290,425</u>	<u>\$ (727,965)</u>	(8.78) %

**General Fund**

The School District's general fund balance decreased \$591,447.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Change</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 6,434,152	\$ 6,357,931	\$ 76,221	1.20 %
Tuition	1,247,821	1,171,189	76,632	6.54 %
Interest	27,857	117,513	(89,656)	(76.29) %
Intergovernmental	3,288,037	3,392,225	(104,188)	(3.07) %
Other	<u>196,252</u>	<u>160,567</u>	<u>35,685</u>	22.22 %
Total	<u>\$ 11,194,119</u>	<u>\$ 11,199,425</u>	<u>\$ (5,306)</u>	(0.05) %

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
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Overall revenues of the general fund decreased \$5,306 or 0.05%. The most significant decrease was in the area of intergovernmental revenues which increased \$104,188 or 3.07%. Intergovernmental revenues decreased due to fluctuations in the amount of revenue received from state foundation payments. The decrease of \$89,656 in interest revenue was the result of a decreased fair market value of investments held by the District.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 7,259,540	\$ 7,036,001	\$ 223,539	3.18 %
Supporting services	4,131,652	3,947,842	183,810	4.66 %
Extracurricular activities	388,537	323,232	65,305	20.20 %
Facilities acquisition and construction	-	14,000	(14,000)	(100.00)
Non-instructional services	<u>5,837</u>	<u>-</u>	<u>5,837</u>	100.00 %
Total	<u>\$ 11,785,566</u>	<u>\$ 11,321,075</u>	<u>\$ 464,491</u>	4.10 %

Expenditures of the general fund increased \$464,491 or 4.10%. Instructional expenditures increased due to increases in regular and special instruction expenses during the year. The increase in support services can be mainly attributed to increases in expenditures relating to pupil, fiscal and operations and maintenance. All other expenditures were consistent with fiscal year 2016.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2017, the School District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$11,058,569. The final budgeted revenues and other financing sources were \$11,286,235. Actual revenues and other financing sources for fiscal year 2017 were \$11,298,159. This represents an \$11,924 increase over final budgeted revenues.

General fund original appropriations and other financing uses totaled \$12,140,123 and final appropriations and other financing uses totaled \$12,739,427. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$12,171,613, which is lower than the final budgeted appropriations by \$567,814.

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**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2017, the School District had \$13,252,911 invested in land, land improvements, buildings and improvements, furniture/fixtures/equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2017 balances compared to June 30, 2016:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2017	2016
Land	\$ 431,329	\$ 431,329
Land improvements	498,361	541,984
Buildings and improvements	11,785,230	11,721,086
Furniture, fixtures and equipment	218,277	251,729
Vehicles	319,714	380,198
Total	\$ 13,252,911	\$ 13,326,326

The overall decrease in capital assets of \$73,415 is due to current year depreciation of \$323,694 exceeding capital outlays of \$256,851.

See Note 8 to the basic financial statements for additional information on the School District's capital assets.

*Debt Administration*

The following table summarizes the School District's long term debt outstanding at June 30, 2017 and 2016.

	Governmental Activities	
	2017	2016
2010 School Facilities Construction		
General Obligation Bonds	\$ 3,200,000	\$ 3,200,000
Capital appreciation bonds and accreted interest	-	616,455
Total	\$ 3,200,000	\$ 3,816,455

At June 30, 2017, the School District had \$3,200,000 in current interest bonds. Of this total, \$740,000 is due within one year and \$2,460,000 is due in greater than one year.

See Note 9 to the basic financial statements for additional information on the School District's debt administration.



**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

**Current Issues**

The Van Buren Local School District is a rural school district located in northern Hancock County. The School district has 1,049 students and employs 75 teachers. The School District receives a small portion of its total operating revenue from the State foundation formula for school funding. Rather, the School District receives the majority of its funding from its local tax base, which has a present assessed valuation of \$268,990,110 (calendar year 2016).

The State's financial condition and other economic factors require constant surveillance by the School District. New legislation and funding proposals out of Columbus will also have a major impact on the School District's finances and must be monitored closely. Several new housing developments have increased the valuation of the District and positively affected revenues. On November 5, 2013 the School District voters approved a 4.5 mill five year renewal levy. In addition, voters also approved a 1.5 mill permanent improvement levy. This levy will be up for renewal again in the next calendar year and is essential to the operation of the District. Reductions in the reimbursement from the State for a portion of the School 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 School District's finances.

Contracts with the certified and classified unions greatly affect the District's finances. With the certified union, the Board entered into a three year contract starting with the 2016-17 school year with increases of 1.75% in the second year and a 2.00% increase in the third year. The salary schedule was redesigned for the new contract and members were placed on the new scale without a loss of 2015-2016 income and then will move to the next vertical step when it becomes years of service appropriate. Negotiations with the classified union resulted in a 2.80% increase in year one, an increase of 2.50% in year two, and 2.20% in the third year.

Beginning in January of 2016 committees were established to research the areas of finance, facilities, curriculum, community relations/communication, and technology. Another committee worked on the vision, mission and values of the school district. In early 2017, the BOE established the vision/mission/values of the district and six major goals that will serve as the guiding principles to help the district with planning and decision making over the next 5 years. Following the failure of two bond levies for construction and renovation in 2014, the district has now concentrated on maintenance, repairs and upkeep of our existing facilities. Some of these repairs, such as replacing the boilers in the High School, have exceeded the funds in the Permanent Improvement account resulting in general fund monies being utilized for these projects. The district's 5-year forecast currently shows the district with a negative carryover balance at the end of fiscal year 2022. Deficit spending since 2015, along with continued loss of revenue from the state budget, Board of Revision decisions, and increasing cost will have a profound effect on the length of time that the district's reserves will last. Renewal levies in 2018 through 2020 will be vital. New levies for general operations, permanent improvement, and possible new construction will be carefully analyzed and considered in the next few years.

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

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Alex Binger, Treasurer at Van Buren Local School District, 217 S. Main Street, Van Buren, OH 45889.

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**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2017

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 7,317,268
Receivables:	
Property taxes . . . . .	7,742,928
Payment in lieu of taxes . . . . .	93,448
Accounts. . . . .	13,659
Accrued interest . . . . .	18,434
Intergovernmental . . . . .	73,609
Prepayments . . . . .	40,583
Materials and supplies inventory. . . . .	622
Inventory held for resale. . . . .	9,165
Capital assets:	
Nondepreciable capital assets . . . . .	431,329
Depreciable capital assets, net. . . . .	12,821,582
Capital assets, net . . . . .	13,252,911
Total assets. . . . .	28,562,627
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding . . . . .	296,253
Pension - STRS . . . . .	2,411,382
Pension - SERS . . . . .	952,283
Total deferred outflows of resources . . . . .	3,659,918
 <b>Liabilities:</b>	
Accounts payable. . . . .	4,779
Accrued wages and benefits payable . . . . .	629,441
Intergovernmental payable . . . . .	18,251
Pension and postemployment benefits payable. . . . .	173,208
Accrued interest payable . . . . .	9,798
Long-term liabilities:	
Due within one year. . . . .	766,968
Due in more than one year:	
Net pension liability . . . . .	17,726,121
Other amounts due in more than one year . . . . .	3,490,497
Total liabilities . . . . .	22,819,063
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	6,549,467
Payment in lieu of taxes levied for the next fiscal year . . . . .	93,448
Pension - STRS. . . . .	13,507
Total deferred inflows of resources . . . . .	6,656,422
 <b>Net position:</b>	
Net investment in capital assets . . . . .	9,980,020
Restricted for:	
Capital projects . . . . .	120,498
Debt service. . . . .	779,545
Locally funded programs . . . . .	1,776
State funded programs. . . . .	30,217
Federally funded programs . . . . .	78,501
Student activities . . . . .	41,823
Other purposes . . . . .	154,168
Unrestricted (deficit) . . . . .	(8,439,488)
Total net position. . . . .	\$ 2,747,060

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,973,544	\$ 1,291,890	\$ 44,599	\$ (4,637,055)
Special . . . . .	1,348,675	42,739	227,413	(1,078,523)
Vocational . . . . .	246,887		6,061	(240,826)
Other . . . . .	581,160			(581,160)
Support services:				
Pupil. . . . .	795,437		182,018	(613,419)
Instructional staff . . . . .	390,832	8,940		(381,892)
Board of education . . . . .	63,169			(63,169)
Administration. . . . .	787,441			(787,441)
Fiscal. . . . .	463,149			(463,149)
Operations and maintenance . . . . .	1,374,899	50		(1,374,849)
Pupil transportation. . . . .	697,852	14,077	22,385	(661,390)
Central . . . . .	69,683		5,400	(64,283)
Operation of non-instructional services:				
Food service operations . . . . .	318,467	164,403	124,063	(30,001)
Extracurricular activities. . . . .	591,838	140,186	1,645	(450,007)
Interest and fiscal charges . . . . .	214,811			(214,811)
Total governmental activities . . . . .	<u>\$ 13,917,844</u>	<u>\$ 1,662,285</u>	<u>\$ 613,584</u>	<u>(11,641,975)</u>

<b>General revenues:</b>	
Property taxes levied for:	
General purposes . . . . .	6,446,414
Debt service. . . . .	563,293
Capital outlay. . . . .	302,816
Payments in lieu of taxes. . . . .	51,711
Grants and entitlements not restricted	
to specific programs . . . . .	3,447,046
Investment earnings . . . . .	27,506
Miscellaneous . . . . .	65,722
Total general revenues . . . . .	<u>10,904,508</u>
Change in net position . . . . .	(737,467)
<b>Net position at beginning of year . . . . .</b>	<u>3,484,527</u>
<b>Net position at end of year. . . . .</b>	<u>\$ 2,747,060</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and investments. . . . .	\$ 6,248,254	\$ 1,069,014	\$ 7,317,268
Receivables:			
Property taxes. . . . .	6,824,857	918,071	7,742,928
Payment in lieu of taxes . . . . .	80,739	12,709	93,448
Accounts . . . . .	13,659		13,659
Accrued interest . . . . .	17,942	492	18,434
Intergovernmental. . . . .	55,287	18,322	73,609
Prepayments. . . . .	40,345	238	40,583
Materials and supplies inventory. . . . .	-	622	622
Inventory held for resale. . . . .	1,035	8,130	9,165
Total assets . . . . .	\$ 13,282,118	\$ 2,027,598	\$ 15,309,716
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 4,614	\$ 165	\$ 4,779
Accrued wages and benefits payable . . . . .	622,468	6,973	629,441
Compensated absences payable . . . . .	15,399		15,399
Intergovernmental payable . . . . .	18,190	61	18,251
Pension and postemployment benefits payable . . . . .	166,360	6,848	173,208
Total liabilities. . . . .	827,031	14,047	841,078
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	5,771,503	777,964	6,549,467
Payment in lieu of taxes levied for the next fiscal year. . . . .	80,739	12,709	93,448
Delinquent property tax revenue not available. . . . .	178,261	22,149	200,410
Intergovernmental revenue not available. . . . .	23,423	18,043	41,466
Accrued interest not available. . . . .	9,152	251	9,403
Miscellaneous revenue not available. . . . .	11,984		11,984
Total deferred inflows of resources . . . . .	6,075,062	831,116	6,906,178
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory. . . . .		622	622
Prepays. . . . .	40,345	238	40,583
Restricted:			
Debt service . . . . .		775,102	775,102
Capital improvements . . . . .		112,590	112,590
Food service operations . . . . .		159,609	159,609
Non-public schools . . . . .		27,515	27,515
Special education . . . . .		60,458	60,458
Other purposes. . . . .		4,478	4,478
Extracurricular activities. . . . .		41,823	41,823
Committed:			
Termination benefits. . . . .	101,299		101,299
Assigned:			
Student instruction . . . . .	10,196		10,196
Student and staff support. . . . .	318,589		318,589
Subsequent year's appropriations . . . . .	2,531,545		2,531,545
School supplies . . . . .	31,041		31,041
Other purposes. . . . .	955		955
Unassigned . . . . .	3,346,055		3,346,055
Total fund balances . . . . .	6,380,025	1,182,435	7,562,460
Total liabilities, deferred inflows and fund balances . . . . .	\$ 13,282,118	\$ 2,027,598	\$ 15,309,716

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2017

<b>Total governmental fund balances</b>		\$	7,562,460
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			13,252,911
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	200,410	
Accounts receivable		11,984	
Accrued interest receivable		9,403	
Intergovernmental receivable		41,466	
Total		41,466	263,263
Unamortized premiums on bonds issued are not recognized in the funds.			(369,144)
Unamortized amounts on refundings are not recognized in the funds.			296,253
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(9,798)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(3,200,000)	
Compensated absences		(672,922)	
Total		(3,872,922)	(3,872,922)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows - pension		3,363,665	
Deferred Inflows - pension		(13,507)	
Net pension liability		(17,726,121)	
Total		(17,726,121)	(14,375,963)
<b>Net position of governmental activities</b>		\$	2,747,060

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 6,388,116	\$ 867,641	\$ 7,255,757
Payment in lieu of taxes . . . . .	46,036	5,675	51,711
Tuition. . . . .	1,247,821		1,247,821
Earnings on investments . . . . .	27,857	87	27,944
Charges for services . . . . .		164,403	164,403
Extracurricular. . . . .	50,088	115,430	165,518
Classroom materials and fees . . . . .	76,128		76,128
Rental income . . . . .	50		50
Contributions and donations . . . . .	28,545	15,545	44,090
Contract services. . . . .	4,264		4,264
Other local revenues . . . . .	37,177	1,803	38,980
Intergovernmental - state . . . . .	3,259,893	377,921	3,637,814
Intergovernmental - federal . . . . .	28,144	357,421	385,565
Total revenues . . . . .	<u>11,194,119</u>	<u>1,905,926</u>	<u>13,100,045</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular. . . . .	5,263,678	209,178	5,472,856
Special . . . . .	1,185,408	92,458	1,277,866
Vocational . . . . .	231,219		231,219
Other . . . . .	579,235		579,235
Support services:			
Pupil . . . . .	674,417	103,517	777,934
Instructional staff . . . . .	362,923		362,923
Board of education . . . . .	62,545		62,545
Administration . . . . .	723,204		723,204
Fiscal . . . . .	426,566	16,939	443,505
Operations and maintenance . . . . .	1,253,226	217,529	1,470,755
Pupil transportation . . . . .	574,977	38,283	613,260
Central . . . . .	53,794	12,450	66,244
Operation of non-instructional services:			
Food service operations. . . . .	5,837	290,486	296,323
Extracurricular activities . . . . .	388,537	143,388	531,925
Facilities acquisition and construction. . . . .		85,240	85,240
Debt service:			
Principal retirement. . . . .		75,000	75,000
Interest and fiscal charges . . . . .		122,976	122,976
Accretion on capital appreciation bonds. . . . .		635,000	635,000
Total expenditures . . . . .	<u>11,785,566</u>	<u>2,042,444</u>	<u>13,828,010</u>
Net change in fund balances . . . . .	(591,447)	(136,518)	(727,965)
<b>Fund balances at beginning of year. . . . .</b>	<u>6,971,472</u>	<u>1,318,953</u>	<u>8,290,425</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 6,380,025</u>	<u>\$ 1,182,435</u>	<u>\$ 7,562,460</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**Net change in fund balances - total governmental funds** \$ (727,965)

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$	256,851	
Current year depreciation		(323,694)	
Total			(66,843)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (6,572)

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

Property taxes		56,766	
Earnings on investments		(346)	
Classroom materials and fees		4,101	
Intergovernmental		19,811	
Total			80,332

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

Bonds		75,000	
Capital appreciation bonds		635,000	
Total			710,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Accreted interest on capital appreciation bonds		(93,545)	
Amortization of bond premiums		8,652	
Amortization of deferred charges		(6,942)	
Total			(91,835)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (53,472)

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 900,117

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,481,229)

**Change in net position of governmental activities** \$ (737,467)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 6,564,183	\$ 6,531,913	\$ 6,538,814	\$ 6,901
Payment in lieu of taxes. . . . .	95,265	95,265	95,265	-
Tuition. . . . .	1,122,600	1,246,505	1,247,822	1,317
Earnings on investments . . . . .	83,792	80,961	81,047	86
Classroom materials and fees . . . . .	-	489	490	1
Rental income . . . . .	1,047	50	50	-
Contributions and donations . . . . .	15,868	13,588	13,602	14
Other local revenues . . . . .	14,988	26,181	26,309	128
Intergovernmental - state . . . . .	3,126,785	3,239,094	3,242,516	3,422
Intergovernmental - federal . . . . .	31,422	36,150	36,188	38
<b>Total revenues . . . . .</b>	<u>11,055,950</u>	<u>11,270,196</u>	<u>11,282,103</u>	<u>11,907</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,123,624	5,396,326	5,316,781	79,545
Special. . . . .	1,306,357	1,312,998	1,215,839	97,159
Vocational. . . . .	296,839	277,317	230,716	46,601
Other. . . . .	612,455	615,022	579,816	35,206
Support services:				
Pupil. . . . .	541,516	691,517	678,244	13,273
Instructional staff . . . . .	385,283	396,765	377,123	19,642
Board of education . . . . .	133,392	152,094	123,148	28,946
Administration. . . . .	756,428	771,341	746,598	24,743
Fiscal . . . . .	416,844	440,890	437,486	3,404
Operations and maintenance. . . . .	1,377,598	1,516,759	1,453,115	63,644
Pupil transportation . . . . .	647,724	673,823	625,024	48,799
Central. . . . .	84,396	83,888	55,465	28,423
Extracurricular activities. . . . .	301,728	335,137	321,350	13,787
<b>Total expenditures . . . . .</b>	<u>11,984,184</u>	<u>12,663,877</u>	<u>12,160,705</u>	<u>503,172</u>
Excess of expenditures over revenues . . . . .	<u>(928,234)</u>	<u>(1,393,681)</u>	<u>(878,602)</u>	<u>515,079</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	524	15,979	15,996	17
Refund of prior year's receipts. . . . .	(5,030)	(5,000)	-	5,000
Transfers (out). . . . .	(150,909)	(70,550)	(10,908)	59,642
Sale of capital assets . . . . .	2,095	60	60	-
<b>Total other financing sources (uses) . . . . .</b>	<u>(153,320)</u>	<u>(59,511)</u>	<u>5,148</u>	<u>64,659</u>
Net change in fund balance . . . . .	(1,081,554)	(1,453,192)	(873,454)	579,738
<b>Fund balance at beginning of year . . . . .</b>	6,616,554	6,616,554	6,616,554	-
<b>Prior year encumbrances appropriated . . . . .</b>	36,802	36,802	36,802	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 5,571,802</u>	<u>\$ 5,200,164</u>	<u>\$ 5,779,902</u>	<u>\$ 579,738</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2017

		<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments. . . . .	\$	38,255
<b>Receivables:</b>		
Accounts . . . . .		67
Total assets. . . . .	\$	38,322
 <b>Liabilities:</b>		
Accounts payable. . . . .	\$	587
Due to students. . . . .		37,735
Total liabilities . . . . .	\$	38,322

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The School District was established in 1936. The School District serves an area of approximately forty-eight square miles. It is located in Hancock County and includes all of the Village of Van Buren and Allen Township and portions of Cass, Marion, and Portage Townships. It is staffed by 58 classified employees, 75 certified teaching personnel, and 10 administrative employees who provide services to 1,049 students and other community members. The School District currently operates an elementary school and a middle/high school.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Van Buren Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 School District's accounting policies.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and 34". A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Van Buren Local School District, this includes general operations, food service, and student related activities of the School District.

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

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The School District is associated with three jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Career and Technology Center, Northwestern Ohio Educational Research Council, Inc., Hancock County Schools Health Benefit Fund, and Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

**B. Basis of Presentation**

The School 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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

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

**C. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

Other governmental funds of the School District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed or assigned to expenditures for principal and interest.

***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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2017. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

**D. Measurement Focus**

Government-Wide Financial Statements - The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of the School 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.

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, current deferred outflows of resources, current liabilities and current deferred inflows of resources 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.

**E. 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 of resources and deferred inflows of resources, and in the presentation of expenses versus expenditures.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

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 Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 14 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for 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 include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow 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 funds balance sheet, and represents receivables which will not be collected within the available period.

For the District unavailable revenue includes, but is not limited to, delinquent property taxes, accrued interest, miscellaneous revenue and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

For the District, see Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred inflows of resources include a deferred gain on debt refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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.

**F. 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 School District Treasurer.

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

**G. Cash and Investments**

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

During fiscal year 2017, the School District invested in negotiable certificates of deposit, Federal Home Loan Bank (FHLB) securities, and a governmental money market. 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.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The School District allocates interest earnings according to State statutes. Interest revenue credited to the general fund during fiscal year 2017 was \$27,857, which includes \$4,919 assigned from other School District funds.

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

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2017, 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. On the fund financial statements, reported payments are equally offset by a nonspendable fund balance which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**I. 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. On the fund financial statements, reported materials and supplies inventory is equally offset by a nonspendable fund balance which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**J. Capital Assets**

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net 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 School 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>Governmental Activities Estimated Lives</u>
Land improvements	10 - 30 years
Buildings and improvements	6 - 107 years
Furniture, Fixtures and equipment	5 - 25 years
Vehicles	5 - 15 years



**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. 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.

**L. Compensated Absences**

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

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

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

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

**M. 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.

**N. 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.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**O. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**P. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the School District 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 fund balance classification are intended to be used by the School District for specific purposes, but do not meet the criteria to be classified as restricted nor 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 policies of the School District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The School District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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 could be used.

**Q. 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.

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivables/payables". These amounts are eliminated in the governmental type activities columns of the statement of net position. Receivables resulting from loans to the agency fund are reported as loans receivable on the governmental financial statements.

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.

**R. 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.

**S. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**T. Fair Market Value**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2017, the School District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the School District's fiscal year 2017 financial statements (see Note 20); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the School District.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and other Local Governments;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool, State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Time certificate of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At fiscal year end, the School District had \$3,659 in undeposited cash on hand which is included on the financial statements of the School District as part of “equity in pooled cash and investments”.

**B. Deposits with Financial Institutions**

At June 30, 2017, the carrying amount of all School District deposits was \$2,545,698. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2017, \$1,941,235 of the School District’s bank balance of \$2,691,235 was exposed to custodial risk as discussed below, while \$750,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the School District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2017, the School District had the following investments and maturities:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair Value:						
FHLB	\$ 250,005	\$ 250,005	\$ -	\$ -	\$ -	\$ -
Negotiable CD's	4,515,123	750,849	494,700	501,848	589,939	2,177,787
U.S. Government money market mutual funds	41,038	41,038	-	-	-	-
Total	<u>\$ 4,806,166</u>	<u>\$ 1,041,892</u>	<u>\$ 494,700</u>	<u>\$ 501,848</u>	<u>\$ 589,939</u>	<u>\$ 2,177,787</u>

The weighted average maturity of investments is 1.74 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities (FHLB) and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the School District’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The School District’s investments in federal agency securities were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The U.S. Government money market mutual fund is rated AAAM by Standard and Poor’s.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

The School District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Fair Value:		
FHLB	\$ 250,005	5.20
Negotiable CD's	4,515,123	93.95
U.S. Government money market mutual funds	<u>41,038</u>	<u>0.85</u>
Total	<u>\$ 4,806,166</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,545,698
Investments	4,806,166
Cash on hand	<u>3,659</u>
Total	<u>\$ 7,355,523</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 7,317,268
Agency funds	<u>38,255</u>
Total	<u>\$ 7,355,523</u>

**VAN BUREN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2017 consisted of taxes, payments in lieu of taxes, intergovernmental grants, accounts (billings for user charged services and student fees) and accrued interest. 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.

A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Property taxes	\$ 7,742,928
Accounts	13,659
Intergovernmental	73,609
Accrued interest	18,434
Payments in lieu of taxes	<u>93,448</u>
 Total	 <u>\$ 7,942,078</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$875,093 in the general fund, \$77,245 in the bond retirement fund (a nonmajor governmental fund) and \$40,713 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$1,025,791 in the general fund, \$94,466 in the bond retirement fund (a nonmajor governmental fund) and \$49,307 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations



**VAN BUREN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 6 - PROPERTY TAXES - (Continued)**

and is reported 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.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 234,026,480	95.72	\$ 256,301,530	95.28
Public utility personal	<u>10,467,190</u>	<u>4.28</u>	<u>12,688,580</u>	<u>4.72</u>
Total	<u>\$ 244,493,670</u>	<u>100.00</u>	<u>\$ 268,990,110</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General		\$35.24	\$34.88	
Bond		2.55	2.38	
Permanent improvement		1.50	1.50	

**NOTE 7 - PAYMENT IN LIEU OF TAXES**

According to State law, the City of Findlay has entered into agreements with a number of property owners under which the City has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the City which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The agreements provide for a portion of these payments to be made to the School District. The property owners contractually promise to make these payments in lieu of taxes until the agreement expires.

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**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/17</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 431,329	\$ -	\$ -	\$ 431,329
Total capital assets, not being depreciated	<u>431,329</u>	<u>-</u>	<u>-</u>	<u>431,329</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	997,290	-	-	997,290
Buildings and improvements	15,179,393	250,000	-	15,429,393
Furniture, fixtures and equipment	887,707	6,851	(54,500)	840,058
Vehicles	<u>1,301,027</u>	<u>-</u>	<u>-</u>	<u>1,301,027</u>
Total capital assets, being depreciated	<u>18,365,417</u>	<u>256,851</u>	<u>(54,500)</u>	<u>18,567,768</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(455,306)	(43,623)	-	(498,929)
Buildings and improvements	(3,458,307)	(185,856)	-	(3,644,163)
Furniture, fixtures and equipment	(635,978)	(33,731)	47,928	(621,781)
Vehicles	<u>(920,829)</u>	<u>(60,484)</u>	<u>-</u>	<u>(981,313)</u>
Total accumulated depreciation	<u>(5,470,420)</u>	<u>(323,694)</u>	<u>47,928</u>	<u>(5,746,186)</u>
Governmental activities capital assets, net	<u>\$ 13,326,326</u>	<u>\$ (66,843)</u>	<u>\$ (6,572)</u>	<u>\$ 13,252,911</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 137,766
Special	11,498
Vocational	6,227
<u>Support services:</u>	
Pupil	1,392
Instructional staff	2,245
Administration	10,297
Fiscal	3,058
Operations and maintenance	34,393
Pupil transportation	59,650
Other non-instructional services	
Food service operations	15,283
Extracurricular activities	<u>41,885</u>
Total depreciation expense	<u>\$ 323,694</u>

**VAN BUREN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 9 - LONG-TERM OBLIGATIONS**

During the fiscal year 2017, the following changes occurred in governmental activities long-term obligations.

	Balance <u>07/01/16</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>06/30/17</u>	Amount Due in <u>One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds					
2010 School Facilities Construction and Improvement Refunding					
Serial Bonds 2.0-5.0%	\$ 3,200,000	\$ -	\$ -	\$ 3,200,000	\$ 740,000
Capital Appreciation Bonds	75,000	-	(75,000)	-	-
Accretion on Capital Appreciation Bonds	541,455	93,545	(635,000)	-	-
Premium	377,796	-	(8,652)	369,144	-
Total General Obligation Bonds	<u>4,194,251</u>	<u>93,545</u>	<u>(718,652)</u>	<u>3,569,144</u>	<u>740,000</u>
Net Pension Liability	<u>14,397,706</u>	<u>3,328,415</u>	<u>-</u>	<u>17,726,121</u>	<u>-</u>
Compensated Absences Payable	<u>619,450</u>	<u>84,166</u>	<u>(15,295)</u>	<u>688,321</u>	<u>26,968</u>
Total Governmental Activities Long-Term Obligations	<u>\$ 19,211,407</u>	<u>\$ 3,506,126</u>	<u>\$ (733,947)</u>	<u>\$ 21,983,586</u>	<u>\$ 766,968</u>

School Facilities Construction and Improvement Refunding Bonds FY2010 - On May 5, 2010, the School District issued \$6,240,000 in general obligation bonds to refund bonds previously issued for constructing a building addition. The bond issue includes serial and capital appreciation bonds, in the 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 fund (a nonmajor governmental fund).

None of the refunding bonds, including the capital appreciation bonds, are subject to redemption prior to maturity. The capital appreciation bonds matured on December 1, 2016, in the amount of \$710,000.

At June 30, 2017, \$3,200,000 of the refunded bonds was still outstanding.

Net pension liability - See Note 13 for more information on net pension liability

Compensated absences will be paid from the general fund.

**Legal Debt Margin**

The effects of the debt limitations at June 30, 2017 are a voted debt margin of \$21,784,212, including available funds of \$775,102, and an unvoted debt margin of \$268,990.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2017, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 740,000	\$ 110,951	\$ 850,951
2019	775,000	85,848	860,848
2020	820,000	58,010	878,010
2021	865,000	21,625	886,625
Total	<u>\$ 3,200,000</u>	<u>\$ 276,434</u>	<u>\$ 3,476,434</u>

**VAN BUREN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented 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 that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).
- (e)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (873,454)
Net adjustment for revenue accruals	(243,667)
Net adjustment for expenditure accruals	275,350
Net adjustment for other sources/uses	(5,148)
Funds budgeted elsewhere	7,699
Adjustment for encumbrances	<u>247,773</u>
GAAP basis	<u>\$ (591,447)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the rotary fund, the adult education fund, the internal services rotary fund, the public school support fund and the termination benefits fund.

**VAN BUREN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 11 - SET-ASIDES**

The School District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	176,145
Current year offsets	<u>(327,355)</u>
Total	<u>\$ (151,210)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u><u>\$ -</u></u>

**NOTE 12 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District contracted for the following insurance coverage:

Coverage provided by the Argonaut Insurance Company is as follows:

General School District Liability	
Per Occurrence	\$ 1,000,000
Aggregate	3,000,000
Umbrella Liability	4,000,000
Building and Contents	44,641,097
Employers Liability	3,000,000
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.

**VAN BUREN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts 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, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$235,470 for fiscal year 2017. Of this amount, \$28,143 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description –School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$664,647 for fiscal year 2017. Of this amount, \$113,428 is reported as pension and postemployment benefits payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:



**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.05077260%	0.04161284%	
Proportion of the net pension liability current measurement date	<u>0.05161670%</u>	<u>0.04167015%</u>	
Change in proportionate share	<u>0.00084410%</u>	<u>0.00005731%</u>	
Proportionate share of the net pension liability	\$ 3,777,866	\$ 13,948,255	\$ 17,726,121
Pension expense	\$ 462,622	\$ 1,018,607	\$ 1,481,229

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 50,957	\$ 563,577	\$ 614,534
Net difference between projected and actual earnings on pension plan investments	311,620	1,158,078	1,469,698
Changes of assumptions	252,193	-	252,193
Difference between District contributions and proportionate share of contributions/ change in proportionate share	102,043	25,080	127,123
District contributions subsequent to the measurement date	<u>235,470</u>	<u>664,647</u>	<u>900,117</u>
Total deferred outflows of resources	<u>\$ 952,283</u>	<u>\$ 2,411,382</u>	<u>\$ 3,363,665</u>
<b>Deferred inflows of resources</b>			
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>-</u>	<u>13,507</u>	<u>13,507</u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 13,507</u>	<u>\$ 13,507</u>

\$900,117 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions - SERS*

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 5,001,659	\$ 3,777,866	\$ 2,753,500

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

\*10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and, therefore, is not a weighted average return of the individual asset classes.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	1% Decrease ▼ (6.75%)	Current Discount Rate ▼ (7.75%)	1% Increase ▼ (8.75%)
School District's proportionate share of the net pension liability	\$ 18,536,098	\$ 13,948,255	\$ 10,078,140

**Changes Between Measurement Date and Report Date** - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Health Care Plan Description** – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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, number of qualified years of service, Medicare eligibility and retirement status.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$28,917.

The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$28,917, \$26,684, and \$36,695, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System**

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The School Districts did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

**NOTE 15 - 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 School District provides medical, dental, vision, and life insurance to all employees through the Hancock County Schools Health Benefit Fund. Depending upon the plan chosen, the employees share the cost of monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

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

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Seneca, Van Wert, Wyandot, and Wood Counties. The organization was founded 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 Hancock, Paulding, Allen, Mercer, Putnam, and Van Wert Counties and two at large members. During fiscal year 2017, the School District paid \$34,062 to NOACSC for various services. Financial information can be obtained from NOACSC, 4277 East Road, Elida, Ohio 45807.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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. Financial information can be obtained from the Findlay City School District, 1100 Broad Avenue, Findlay Ohio 45840.

**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., 121 West Main Street, Ashland, Ohio 44805.

**NOTE 17 - 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, vision, and life insurance benefits to the employees of the participants. Each participant's 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 Assured Partners, 285 Cozzins Street, Columbus, Ohio 43215.

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

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

The GRP's business and affairs are conducted by OSBA's Executive Director and staff designees, who serve as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

**B. Litigation**

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

**C. Foundation Funding**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools through the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 have been finalized and resulted in a receivable to the School District totaling \$12,569, which has since been paid.

**NOTE 19 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 247,571
Nonmajor governmental	<u>74,814</u>
Total	<u>\$ 322,385</u>

**NOTE 20 - TAX ABATEMENT AGREEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

Other governments entered into property tax abatement agreements with property owners under Enterprise Zone Agreements ("EZAs") and the Ohio Community Reinvestment Area ("CRA") program with the taxing districts of the District. The EZAs and CRA program are directive incentive tax exemption programs benefiting property owners who renovate or construct new buildings. Under these programs, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, other governments have entered into such agreements with S D Taylor III Family Properties LLC and HD Findlay OH Landlord LLC. Under these agreements, the School District's property taxes were reduced by \$8,437 in a CRA agreement with S D Taylor III Family Properties LLC and \$141,168 in an EZA with HD Findlay OH Landlord LLC. The School District is not receiving any amounts from these other governments in association with the forgone property tax revenue.



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**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.05161670%	0.05077260%	0.04688900%	0.04688900%
School District's proportionate share of the net pension liability	\$ 3,777,866	\$ 2,897,134	\$ 2,373,026	\$ 2,788,338
School District's covered-employee payroll	\$ 1,259,736	\$ 1,528,520	\$ 1,362,496	\$ 1,385,043
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	299.89%	189.54%	174.17%	201.32%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.04167015%	0.04161284%	0.04173582%	0.04173582%
School District's proportionate share of the net pension liability	\$ 13,948,255	\$ 11,500,572	\$ 10,151,596	\$ 12,092,515
School District's covered-employee payroll	\$ 4,492,314	\$ 4,431,943	\$ 4,264,254	\$ 3,951,738
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	310.49%	259.49%	238.06%	306.00%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 235,470	\$ 176,363	\$ 201,459	\$ 188,842
Contributions in relation to the contractually required contribution	<u>(235,470)</u>	<u>(176,363)</u>	<u>(201,459)</u>	<u>(188,842)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 1,681,929	\$ 1,259,736	\$ 1,528,520	\$ 1,362,496
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 191,690	\$ 148,104	\$ 151,645	\$ 154,431	\$ 103,317	\$ 101,246
<u>(191,690)</u>	<u>(148,104)</u>	<u>(151,645)</u>	<u>(154,431)</u>	<u>(103,317)</u>	<u>(101,246)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,385,043	\$ 1,101,145	\$ 1,206,404	\$ 1,140,554	\$ 1,049,970	\$ 1,031,018
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 664,647	\$ 628,924	\$ 620,472	\$ 554,353
Contributions in relation to the contractually required contribution	<u>(664,647)</u>	<u>(628,924)</u>	<u>(620,472)</u>	<u>(554,353)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 4,747,479	\$ 4,492,314	\$ 4,431,943	\$ 4,264,254
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 513,726	\$ 522,201	\$ 518,892	\$ 493,005	\$ 477,090	\$ 471,547
<u>(513,726)</u>	<u>(522,201)</u>	<u>(518,892)</u>	<u>(493,005)</u>	<u>(477,090)</u>	<u>(471,547)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,951,738	\$ 4,016,931	\$ 3,991,477	\$ 3,792,346	\$ 3,669,923	\$ 3,627,285
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.





# 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

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, the major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, Ohio (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 10, 2018.

### ***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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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

***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 report is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 10, 2018

**VAN BUREN LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	<b>Ohio Rev. Code § 2151.011(22) and Ohio Rev. Code § 3317.031</b> requires school districts to maintain membership records related to student attendance for a period of at least five years. District did not maintain supporting documentation for excused school absences.	Fully Corrected.	

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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  
AUGUST 2, 2018