



**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



Mary Taylor, CPA
Auditor of State

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, Ohio, as of June 30, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

March 15, 2007

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of Van Buren Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2005 were as follows:

- Net assets for governmental activities increased \$519,937, or approximately 10 percent. This was the first time in three years that revenues have exceeded expenses. Net assets for business-type activities increased \$10,080, or approximately 21 percent.
- General revenues were \$8,320,522, or 90 percent of all governmental activities revenues. There was an even greater reliance on general revenues in fiscal year 2005 than in the prior fiscal year. This continues to demonstrate the School District's significant dependence on property taxes.
- In August 2005, the voters approved a three-year 5.5 mill emergency levy that will generate \$1,275,000 per year. Approximately 53 percent of the School District's registered voters voted in favor of this new levy.
- The School District continues to be a member of the Hancock County Schools Insurance Consortium Group Health Plan, which is a risk sharing insurance pool. During fiscal year 2005, the pool increased the base health insurance rates by 25 percent (rates also increased by 10 percent in fiscal year 2004). As a result of the current increase, the Board of Education's share for monthly premiums for health insurance increased from \$45,600/month to \$56,600/month.

Using the Basic Financial Statements

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

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

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

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

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

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

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

Reporting the School District's Most Significant Funds

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

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

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

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2005 compared to fiscal year 2004:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<u>Assets</u>						
Current and Other Assets	\$9,859,396	\$9,100,883	\$58,477	\$49,402	\$9,917,873	\$9,150,285
Capital Assets, Net	14,665,950	14,875,921			14,665,950	14,875,921
Total Assets	<u>24,525,346</u>	<u>23,976,804</u>	<u>58,477</u>	<u>49,402</u>	<u>24,583,823</u>	<u>24,026,206</u>
<u>Liabilities</u>						
Current and Other Liabilities	7,949,173	7,536,757		1,005	7,949,173	7,537,762
Long-Term Liabilities	10,888,519	11,272,330			10,888,519	11,272,330
Total Liabilities	<u>18,837,692</u>	<u>18,809,087</u>		<u>1,005</u>	<u>18,837,692</u>	<u>18,810,092</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	4,355,950	4,200,921			4,355,950	4,200,921
Restricted	843,924	490,926			843,924	490,926
Unrestricted	487,780	475,870	58,477	48,397	546,257	524,267
Total Net Assets	<u>\$5,687,654</u>	<u>\$5,167,717</u>	<u>\$58,477</u>	<u>\$48,397</u>	<u>\$5,746,131</u>	<u>\$5,216,114</u>

A review of the above table demonstrates that total assets, liabilities, and net assets for governmental activities fluctuated little from the prior fiscal year. While there was an overall increase in net assets of 10 percent, there were few noteworthy changes. The one item of note is an increase in current and other assets which can be attributed to an 8 percent increase in property taxes (primarily the affect of the sexennial update). A corresponding increase is reflected in restricted net assets for those monies related to debt service and permanent improvement activities.

Although the dollar increase for business-type activities was not a great amount, the percentage of increase from the prior fiscal year was significant (21 percent). Net income associated with the business-type activities provided a larger cash balance than the prior fiscal year.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2005 and fiscal year 2004

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<u>Revenues</u>						
Program Revenues						
Sales and Charges for Services	\$398,469	\$400,520	\$39,584	\$40,640	\$438,053	\$441,160
Operating Grants, Contributions, and Interest	449,225	621,974			449,225	621,974
Capital Grants, Contributions, and Interest	28,637	12,625			28,637	12,625
Total Program Revenues	876,331	1,035,119	39,584	40,640	915,915	1,075,759
General Revenues						
Property Taxes	6,918,378	6,354,288			6,918,378	6,354,288
Payment in Lieu of Taxes	27,011	150,000			27,011	150,000
Grants and Entitlements not Restricted to Specific Programs	1,240,631	1,101,965			1,240,631	1,101,965
Interest	69,612	37,527			69,612	37,527
Gifts and Donations	14,800	14,807			14,800	14,807
Miscellaneous	50,090	53,727			50,090	53,727
Total General Revenues	8,320,522	7,712,314			8,320,522	7,712,314
Total Revenues	9,196,853	8,747,433	39,584	40,640	9,236,437	8,788,073
<u>Expenses</u>						
Instruction:						
Regular	3,858,486	4,199,218			3,858,486	4,199,218
Special	641,302	809,233			641,302	809,233
Vocational	158,685	175,285			158,685	175,285
Support Services:						
Pupils	295,167	187,213			295,167	187,213
Instructional Staff	281,881	320,503			281,881	320,503
Board of Education	39,328	74,193			39,328	74,193
Administration	644,435	652,776			644,435	652,776
Fiscal	341,343	307,845			341,343	307,845

(continued)

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Table 2
Changes in Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Operation and Maintenance of Plant	\$909,107	\$865,593			\$909,107	\$865,593
Pupil Transportation	449,967	453,413			449,967	453,413
Central	13,870	19,635			13,870	19,635
Non-Instructional Services	228,955	311,629			228,955	311,629
Extracurricular Activities	305,037	298,438			305,037	298,438
Interest and Fiscal Charges	509,353	522,635			509,353	522,635
Uniform School Supplies			\$29,460	\$39,649	29,460	39,649
Adult Education			44		44	
Total Expenses	<u>8,676,916</u>	<u>9,197,609</u>	<u>29,504</u>	<u>39,649</u>	<u>8,706,420</u>	<u>9,237,258</u>
Increase (Decrease) in Net Assets	\$519,937	(\$450,176)	\$10,080	\$991	\$530,017	(\$449,185)

Program revenues were only 10 percent of total revenues for governmental activities and quite a bit lower than the program revenues received in the prior fiscal year. This decrease is due to fewer operating grant monies related to transportation. In general, program revenues consist of sales and charges for services such as tuition and fees, extracurricular activities/athletic event receipts, and cafeteria sales. Operating grants and contributions and capital grants and contributions reflected as program revenues are restricted intergovernmental resources which are directly associated with certain governmental activities, such as special education funding and food service subsidies, as well as resources restricted for capital acquisitions.

Dependence on general revenues was slightly greater in fiscal year 2005 with over 90 percent of the total revenues for governmental activities being general revenues. This is overwhelmingly made up of property taxes (83 percent of general revenues). Our School District is somewhat unique in that there is a very high property tax base resulting from a great deal of industry within the School District's boundaries. As a result, the School District receives very little in State foundation support for operations, approximately 7 percent of total revenues received. Property taxes increased from the prior fiscal year due to increased values from the sexennial update.

Program expenses for governmental activities remained quite comparable to the prior fiscal year; however, there was a small decrease of 5 percent overall from fiscal year 2004. As to be expected, instruction programs are the School District's largest expense, accounting for 54 percent of all governmental activities expenses. Combined with the support services related to instruction, such as pupils, instructional staff, operation and maintenance of plant, and pupil transportation, 76 percent of all of the School District's expenses are related to the functions of delivering education and maintaining facilities.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

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

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Instruction:				
Regular	\$3,858,486	\$4,199,218	\$3,632,680	\$3,984,161
Special	641,302	809,233	345,932	542,548
Vocational	158,685	175,285	158,498	174,700
Support Services:				
Pupils	295,167	187,213	281,167	182,213
Instructional Staff	281,881	320,503	281,881	320,503
Board of Education	39,328	74,193	39,328	74,193
Administration	644,435	652,776	644,435	652,776
Fiscal	341,343	307,845	341,343	307,845
Operation and Maintenance of Plant	909,107	865,593	908,928	859,109
Pupil Transportation	449,967	453,413	437,925	227,500
Central	13,870	19,635	13,870	19,635
Non-Instructional Services	228,955	311,629	42,538	130,395
Extracurricular Activities	305,037	298,438	162,707	164,277
Interest and Fiscal Charges	509,353	522,635	509,353	522,635
Total Expenses	<u>\$8,676,916</u>	<u>\$9,197,609</u>	<u>\$7,800,585</u>	<u>\$8,162,490</u>

As previously mentioned, general revenues funded a larger portion of operating costs in fiscal year 2005 but a review of the above table reveals a great deal of comparability between the two fiscal years. The table also demonstrates that only several of the School District's programs benefit significantly from program revenues. Program revenues offset the costs of non-instructional services, which is almost entirely cafeteria operations, by 81 percent. These revenues are made up lunch sales and federal and state subsidies for cafeteria operations. Over 47 percent of extracurricular activities costs are paid for through admission charges for athletic events as well as from music or drama productions.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Of the School District's two major funds, the Bond Retirement Fund was the only fund with a significant change in their fund balance. The fund balance in the Bond Retirement Fund more than doubled. This fund is accumulating resources for the future payment of debt and currently tax collections are exceeding principal and interest requirements. The Uniform School Supplies Fund had a 21 percent increase in net assets as sales exceeded the cost of sales.

General Fund Budgeting Highlights

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

During fiscal year 2005, the School District amended its General Fund budget as needed. Changes from the original to final budget for revenues as well as from the final budget to actual revenues received were minor. This was also the result for expenditures as changes from the original to final budget to actual expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$14,665,950 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of 1 percent from the prior fiscal year. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

Debt

At June 30, 2005, the School District had outstanding general obligation bonds, in the amount of \$10,433,196. These bonds will not be fully retired until fiscal year 2021. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 14 to the basic financial statements.

Current Issues

Van Buren Local School District is a rural school district located in northern Hancock County. The School District serves just fewer than 1,000 students and employs sixty-three teachers. The School District has historically received less than 10 percent of its total operating revenue from the State foundation formula for school funding. Rather, the School District receives the majority of its funding from its local tax base, which has a present assessed valuation of \$231,808,615.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Following three years of deficit spending, the School District's revenues exceeded expenses for fiscal year 2005. This was made possible through cuts in personnel and programs following losses of proposed emergency levies in November 2004 and May 2005. Phase one cuts took place in January 2005 and included reductions in transportation and maintenance staffs and programs, along with reducing facility usage. Phase two cuts took place during spring 2005 and included the elimination of a part-time teaching position, a supervisor's position, an elementary teaching position, a high school foreign language position, and an adjustment in responsibilities of one of the School District's technology coordinators. Additional cuts, including further cuts in staff and programs along with a pay-to-participate program for extra-curricular activities and busing at State minimum standards, did not need to be implemented following the passage of a 5.5 mill three-year emergency levy in August 2005.

New three year contracts were negotiated with certified staff in May 2005 and non-certified staff in October 2005. Both contracts included no increase in the base salary with a reopener in spring 2006 on salary and benefits for the last two years of the contract.

The passage of the emergency levy coupled with the new labor contacts and continued close inspection of the School District's expenditures seems to point to a positive fiscal situation for the next few years. However, 25 to 30 percent of the School District's total revenue has come from tangible personal property tax. The systematic elimination of this tax under HB 66 and the State's temporary reimbursement of this loss is quite concerning to the School District. In addition, there is concern about the frequency of tax increment financing (TIF) and tax abatements which are occurring in the School District. On the positive side, the School District should begin receiving additional revenue from two TIF's as the elimination of replacement monies for the tangible personal property tax begins to take effect in 2011.

Grants and donations organized through community and school groups made possible the construction of a new eight lane all-weather track and a stone bridge and gardens which connects the secondary building with the elementary building. These gardens not only serve to beautify the School District's grounds, but will also be used as a learning center for the elementary curriculum. Additional projects which need to be undertaken in the immediate future include repairs to older roofs and improvements to outdoor facilities in the School District.

Contacting the School District's Financial Management

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Net Assets
June 30, 2005**

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$2,151,368	\$52,082	\$2,203,450
Cash and Cash Equivalents with Fiscal Agents	16,870		16,870
Cash and Cash Equivalents with Escrow Agent	15,029		15,029
Accounts Receivable	854	796	1,650
Intergovernmental Receivable	15,617		15,617
Prepaid Items	103,239		103,239
Inventory Held for Resale	2,055	5,599	7,654
Materials and Supplies Inventory	7,167		7,167
Property Taxes Receivable	7,547,197		7,547,197
Nondepreciable Capital Assets	254,552		254,552
Depreciable Capital Assets, Net	14,411,398		14,411,398
Total Assets	24,525,346	58,477	24,583,823
<u>Liabilities:</u>			
Accounts Payable	35,933		35,933
Accrued Wages and Benefits Payable	589,724		589,724
Intergovernmental Payable	241,262		241,262
Matured Bonds Payable	3,000		3,000
Matured Interest Payable	1,653		1,653
Retainage Payable	15,029		15,029
Deferred Revenue	7,024,210		7,024,210
Accrued Interest Payable	38,362		38,362
Long-Term Liabilities:			
Due Within One Year	507,762		507,762
Due in More Than One Year	10,380,757		10,380,757
Total Liabilities	18,837,692		18,837,692
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	4,355,950		4,355,950
Restricted For:			
Debt Service	261,934		261,934
Capital Projects	318,691		318,691
Setasides	184,811		184,811
Other Purposes	78,488		78,488
Unrestricted	487,780	58,477	546,257
Total Net Assets	\$5,687,654	\$58,477	\$5,746,131

See Accompanying Notes to Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2005**

	Expenses	Program Revenues		
		Sales and Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$3,858,486	\$127,657	\$90,799	\$7,350
Special	641,302	22,574	272,796	
Vocational	158,685		187	
Support Services:				
Pupils	295,167		14,000	
Instructional Staff	281,881			
Board of Education	39,328			
Administration	644,435			
Fiscal	341,343			
Operation and Maintenance of Plant	909,107			179
Pupil Transportation	449,967		5,466	6,576
Central	13,870			
Non-Instructional Services	228,955	136,618	49,799	
Extracurricular Activities	305,037	111,620	16,178	14,532
Interest and Fiscal Charges	509,353			
Total Governmental Activities	<u>8,676,916</u>	<u>398,469</u>	<u>449,225</u>	<u>28,637</u>
<u>Business-Type Activities:</u>				
Uniform School Supplies	29,460	39,507		
Other Enterprise Fund				
Adult Education	44	77		
Total Business-Type Activities	<u>29,504</u>	<u>39,584</u>		
Total	<u>\$8,706,420</u>	<u>\$438,053</u>	<u>\$449,225</u>	<u>\$28,637</u>

General Revenues:

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

Change in Net Assets

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

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$3,632,680)		(\$3,632,680)
(345,932)		(345,932)
(158,498)		(158,498)
(281,167)		(281,167)
(281,881)		(281,881)
(39,328)		(39,328)
(644,435)		(644,435)
(341,343)		(341,343)
(908,928)		(908,928)
(437,925)		(437,925)
(13,870)		(13,870)
(42,538)		(42,538)
(162,707)		(162,707)
(509,353)		(509,353)
<u>(7,800,585)</u>		<u>(7,800,585)</u>
	10,047	10,047
	33	33
	<u>10,080</u>	<u>10,080</u>
<u>(7,800,585)</u>	<u>10,080</u>	<u>(7,790,505)</u>
5,665,440		5,665,440
947,796		947,796
305,142		305,142
27,011		27,011
1,240,631		1,240,631
69,612		69,612
14,800		14,800
50,090		50,090
<u>8,320,522</u>		<u>8,320,522</u>
519,937	10,080	530,017
5,167,717	48,397	5,216,114
<u>\$5,687,654</u>	<u>\$58,477</u>	<u>\$5,746,131</u>

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2005**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,186,086	\$221,243	\$552,652	\$1,959,981
Cash and Cash Equivalents with Fiscal Agents		4,653	12,217	16,870
Accounts Receivable	66		788	854
Intergovernmental Receivable	15,000		617	15,617
Prepaid Items	101,287		1,952	103,239
Inventory Held for Resale			2,055	2,055
Materials and Supplies Inventory	7,021		146	7,167
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	191,387			191,387
Cash and Cash Equivalents with Escrow Agent			15,029	15,029
Property Taxes Receivable	6,243,504	972,733	330,960	7,547,197
Total Assets	\$7,744,351	\$1,198,629	\$916,416	\$9,859,396
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$34,615		\$1,318	\$35,933
Accrued Wages and Benefits Payable	577,004		12,720	589,724
Intergovernmental Payable	234,107		7,155	241,262
Matured Bonds Payable		3,000		3,000
Matured Interest Payable		1,653		1,653
<u>Payable from Restricted Assets:</u>				
Retainage Payable			15,029	15,029
Deferred Revenue	5,881,314	900,237	307,828	7,089,379
Total Liabilities	6,727,040	904,890	344,050	7,975,980
<u>Fund Balances:</u>				
Reserved for Property Taxes	377,190	72,496	23,314	473,000
Reserved for Textbooks	184,811			184,811
Reserved for Encumbrances	52,248		58,512	110,760
<u>Unreserved, Designated Reported in:</u>				
Special Revenue Fund			183,875	183,875
<u>Unreserved, Undesignated Reported in:</u>				
General Fund	403,062			403,062
Special Revenue Funds			62,138	62,138
Debt Service Fund		221,243		221,243
Capital Projects Funds			244,527	244,527
Total Fund Balances	1,017,311	293,739	572,366	1,883,416
Total Liabilities and Fund Balances	\$7,744,351	\$1,198,629	\$916,416	\$9,859,396

See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2005**

Total Governmental Fund Balances		\$1,883,416
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		14,665,950
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Intergovernmental Receivable	\$15,182	
Property Taxes Receivable	49,987	
	<u>65,169</u>	65,169
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(38,362)	
General Obligation Bonds Payable	(10,433,196)	
Compensated Absences Payable	(455,323)	
	<u>(10,926,881)</u>	(10,926,881)
Net Assets of Governmental Activities		<u><u>\$5,687,654</u></u>

See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$5,655,367	\$946,616	\$304,621	\$6,906,604
Payment in Lieu of Taxes	27,011			27,011
Intergovernmental	1,158,833	76,969	452,681	1,688,483
Interest	69,612		351	69,963
Tuition and Fees	145,231			145,231
Extracurricular Activities	6,799		104,821	111,620
Charges for Services			136,618	136,618
Gifts and Donations	31,307		15,203	46,510
Miscellaneous	45,141		6,859	52,000
Total Revenues	<u>7,139,301</u>	<u>1,023,585</u>	<u>1,021,154</u>	<u>9,184,040</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,585,787		146,765	3,732,552
Special	512,696		118,045	630,741
Vocational	152,692			152,692
Support Services:				
Pupils	131,706		162,246	293,952
Instructional Staff	274,850		6,370	281,220
Board of Education	39,328			39,328
Administration	627,719		230	627,949
Fiscal	317,037	19,994	6,464	343,495
Operation and Maintenance of Plant	843,244		7,961	851,205
Pupil Transportation	419,518		350	419,868
Central	3,197		16,723	19,920
Non-Instructional Services			205,148	205,148
Extracurricular Activities	171,004		106,705	277,709
Capital Outlay	6,276		173,669	179,945
Debt Service:				
Principal Retirement		365,000		365,000
Interest and Fiscal Charges		490,135		490,135
Total Expenditures	<u>7,085,054</u>	<u>875,129</u>	<u>950,676</u>	<u>8,910,859</u>
Excess of Revenues Over Expenditures	<u>54,247</u>	<u>148,456</u>	<u>70,478</u>	<u>273,181</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In			74,312	74,312
Transfers Out	(74,312)			(74,312)
Total Other Financing Sources (Uses)	<u>(74,312)</u>		<u>74,312</u>	
Changes in Fund Balances	(20,065)	148,456	144,790	273,181
Fund Balances at Beginning of Year	<u>1,037,376</u>	<u>145,283</u>	<u>427,576</u>	<u>1,610,235</u>
Fund Balances at End of Year	<u>\$1,017,311</u>	<u>\$293,739</u>	<u>\$572,366</u>	<u>\$1,883,416</u>

See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2005**

Changes in Fund Balances - Total Governmental Funds		\$273,181
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current year:</p>		
Capital Outlay - Construction in Progress	\$20,969	
Capital Outlay - Depreciable Capital Assets	94,019	
Depreciation	(323,876)	(208,888)
<p>The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of, resulting in a loss on disposal of capital assets on the statement of activities.</p>		
		(1,083)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Property Taxes	11,774	
Intergovernmental	(2,051)	
Tuition and Fees	5,000	
Miscellaneous	(1,910)	12,813
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.</p>		
		365,000
<p>Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.</p>		
Annual Accretion	(20,378)	
Accrued Interest Payable	1,160	(19,218)
<p>Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Intergovernmental Payable	58,943	
Compensated Absences Payable	39,189	98,132
Change in Net Assets of Governmental Activities		\$519,937

See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property Taxes	\$5,249,618	\$5,566,845	\$5,530,845	(\$36,000)
Payment in Lieu of Taxes			27,011	27,011
Intergovernmental	1,086,500	1,097,043	1,159,184	62,141
Interest	40,000	40,000	69,612	29,612
Tuition and Fees	155,000	155,000	145,231	(9,769)
Extracurricular Activities	19,500	19,500	6,799	(12,701)
Gifts and Donations	60,300	60,300	31,307	(28,993)
Miscellaneous	31,000	31,000	43,755	12,755
Total Revenues	6,641,918	6,969,688	7,013,744	44,056
Expenditures:				
Current:				
Instruction:				
Regular	3,676,366	3,716,866	3,579,407	137,459
Special	604,380	531,280	513,348	17,932
Vocational	194,101	194,101	149,238	44,863
Support Services:				
Pupils	171,573	171,573	135,634	35,939
Instructional Staff	300,140	300,140	269,081	31,059
Board of Education	84,124	84,124	61,729	22,395
Administration	657,993	657,993	626,141	31,852
Fiscal	335,345	339,095	310,289	28,806
Operation and Maintenance of Plant	940,930	934,597	844,306	90,291
Pupil Transportation	486,931	486,931	432,974	53,957
Central	16,995	16,995	3,197	13,798
Extracurricular Activities	180,910	183,160	174,417	8,743
Capital Outlay		6,333	6,333	
Total Expenditures	7,649,788	7,623,188	7,106,094	517,094
Excess of Revenues Under Expenditures	(1,007,870)	(653,500)	(92,350)	561,150
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	1,000	1,000	2,172	1,172
Advances In			5,000	5,000
Advances Out		(5,000)	(5,000)	
Transfers Out	(50,000)	(74,600)	(74,312)	288
Total Other Financing Sources (Uses)	(49,000)	(78,600)	(72,140)	6,460
Changes in Fund Balance	(1,056,870)	(732,100)	(164,490)	567,610
Fund Balance at Beginning of Year	1,342,758	1,342,758	1,342,758	
Prior Year Encumbrances Appropriated	118,598	118,598	118,598	
Fund Balance at End of Year	\$404,486	\$729,256	\$1,296,866	\$567,610

See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Fund Net Assets
Enterprise Funds
June 30, 2005**

	<u>Uniform School Supplies</u>	<u>Other Enterprise</u>	<u>Total Enterprise Funds</u>
<u>Assets:</u>			
<u>Current Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$51,717	\$365	\$52,082
Accounts Receivable	796		796
Inventory Held for Resale	<u>5,599</u>		<u>5,599</u>
 <u>Net Assets:</u>			
Unrestricted	<u>\$58,112</u>	<u>\$365</u>	<u>\$58,477</u>

See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Enterprise Funds
For the Fiscal Year Ended June 30, 2005**

	Uniform School Supplies	Other Enterprise	Total Enterprise Funds
<u>Operating Revenues:</u>			
Sales	\$39,507		\$39,507
Charges for Services		\$77	77
Total Operating Revenues	39,507	77	39,584
<u>Operating Expenses:</u>			
Salaries		38	38
Fringe Benefits		6	6
Cost of Sales	29,460		29,460
Total Operating Expenses	29,460	44	29,504
Net Income	10,047	33	10,080
Net Assets at Beginning of Year	48,065	332	48,397
Net Assets at End of Year	\$58,112	\$365	\$58,477

See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2005**

	<u>Uniform School Supplies</u>	<u>Other Enterprise</u>	<u>Total Enterprise Funds</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$39,387	\$77	\$39,464
Cash Payments for Salaries		(38)	(38)
Cash Payments for Fringe Benefits		(6)	(6)
Cash Payments to Suppliers	<u>(33,082)</u>		<u>(33,082)</u>
Net Increase in Cash and Cash Equivalents	6,305	33	6,338
Cash and Cash Equivalents at Beginning of Year	<u>45,412</u>	<u>332</u>	<u>45,744</u>
Cash and Cash Equivalents at End of Year	<u><u>\$51,717</u></u>	<u><u>\$365</u></u>	<u><u>\$52,082</u></u>
 <u>Reconciliation of Net Income</u>			
<u>to Net Cash Provided by Operating Activities:</u>			
Net Income	\$10,047	\$33	\$10,080
 <u>Adjustments to Reconcile Net Income</u>			
<u>to Net Cash Provided by Operating Activities:</u>			
<u>Changes in Assets and Liabilities:</u>			
Increase in Accounts Receivable	(120)		(120)
Increase in Inventory Held for Resale	(2,617)		(2,617)
Decrease in Accounts Payable	<u>(1,005)</u>		<u>(1,005)</u>
Net Cash Provided by Operating Activities	<u><u>\$6,305</u></u>	<u><u>\$33</u></u>	<u><u>\$6,338</u></u>

See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2005**

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$25,742</u></u>
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Liabilities:

Due to Students	<u><u>\$25,742</u></u>
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See Accompanying Notes to the Basic Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1936 through the consolidation of existing land areas. The School District serves an area of approximately forty-eight square miles. It is located in Hancock County and includes all of the Village of Van Buren and Allen Township and portions of Cass, Marion, and Portage Townships. The School District is the 505th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by fifty classified employees, sixty-three certified teaching personnel, and five administrative employees who provide services to nine hundred fifty students and other community members. The School District currently operates an elementary school and a middle/high school.

Reporting Entity

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

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

The School District participates in five jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Cooperative Vocational Career Center, Northwestern Ohio Educational Research Council, Inc., West Central Regional Professional Development Center, Northwest Ohio Special Education Regional Resource Center, Hancock County Schools Insurance Consortium Group Health Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

B. Fund Accounting

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

Governmental Funds

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

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for and the payment of principal and interest on general obligation bonds.

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

Proprietary Funds

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2005. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

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

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

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

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

F. Cash and Investments

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

Cash and cash equivalents held for the School District by the Hancock County Educational Service Center and Sky Bank, who services the School District's bond/coupon account, are included on the financial statements as "Cash and Cash Equivalents with Fiscal Agents".

Cash and cash equivalents that are held separately for the School District by an escrow agent for the payment of retainage on construction contracts are recorded as "Cash and Cash Equivalents with Escrow Agent".

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2005 was \$69,612, which includes \$19,046 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. For purposes of the statement of cash flows, investments with a maturity of three months or less when purchased to be cash equivalents.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

I. Restricted Assets

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

Restricted assets in the Permanent Improvement capital projects fund represent escrow accounts established for the payment of retainage on construction projects upon completion.

J. Capital Assets

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

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

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

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

K. Compensated Absences

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

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

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2005, the School District did not have any net assets restricted by enabling legislation.

N. Fund Balance Reserves and Designations

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

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

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

O. Operating Revenues and Expenses

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

P. Interfund Transactions

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

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.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modifies the disclosure requirements related to deposit and investment risks. The implementation of this statement did not result in any changes to the School District's financial statements.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES – (CONTINUED)

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Technical Bulletin 2004-2 establishes new guidance addressing the amount that should be recognized as expenditures/expenses and as liabilities each period by employers participating in cost-sharing multiple-employer pension and other postemployment benefit plans. The implementation of this bulletin did not result in any change to the School District's financial statements.

NOTE 4 - ACCOUNTABILITY

At June 30, 2005, the Food Service special revenue fund had a deficit fund balance, in the amount of \$6,291, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING – (CONTINUED)

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

Changes in Fund Balance	
GAAP Basis	(\$20,065)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2004, Received in Cash FY 2005	253,871
Accrued FY 2005, Not Yet Received in Cash	(377,256)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(738,793)
Accrued FY 2005, Not Yet Paid in Cash	845,726
Prepaid Items	(48,259)
Materials and Supplies Inventory	893
Advances In	5,000
Advances Out	(5,000)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(80,607)
Budget Basis	(\$164,490)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (CONTINUED)

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (CONTINUED)

At fiscal year end, the School District had \$12,217 in cash and cash equivalents held by the Hancock County Educational Service Center, which is presented as “Cash and Cash Equivalents with Fiscal Agents”. The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 40.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,136,834 of the School District’s bank balance of \$2,336,256 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the School District’s name.

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005, consisted of accounts (student fees and billings for user charged services), intergovernmental, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Various School Districts	\$15,000
Other Governmental Funds	
District Managed Student Activities	435
Title II-D	182
Total Governmental Activities	\$15,617

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 8 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2005, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005, was \$377,190 in the General Fund, \$72,496 in the Bond Retirement debt service fund, and \$23,314 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2004, was \$252,668 in the General Fund, \$51,381 in the Bond Retirement debt service fund, and \$15,951 in the Permanent Improvement capital projects fund.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 8 - PROPERTY TAXES – (CONTINUED)

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

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$88,558,120	42.42%	\$100,011,610	43.15%
Industrial/Commercial	50,259,200	24.07	53,714,690	23.17
Public Utility	7,580,800	3.63	7,243,110	3.12
Tangible Personal	62,393,908	29.88	70,839,205	30.56
Total Assessed Value	<u>\$208,792,028</u>	<u>100.00%</u>	<u>\$231,808,615</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.50		\$36.95	

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$154,779			\$154,779
Construction in Progress	78,804	\$20,969		99,773
Total Nondepreciable Capital Assets	<u>233,583</u>	<u>20,969</u>		<u>254,552</u>
Depreciable Capital Assets				
Land Improvements	210,000			210,000
Buildings and Building Improvements	14,927,543			14,927,543
Furniture, Fixtures, and Equipment	1,097,046	27,369	\$(24,720)	1,099,695
Vehicles	855,992	66,650		922,642
Total Depreciable Capital Assets	<u>17,090,581</u>	<u>94,019</u>	<u>(24,720)</u>	<u>17,159,880</u>

(continued)

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 9 - CAPITAL ASSETS – (CONTINUED)

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>
Governmental Activities (continued)				
Less Accumulated Depreciation				
Land Improvements	(\$61,019)	(\$11,421)		(\$72,440)
Buildings and Building Improvements	(1,331,172)	(171,863)		(1,503,035)
Furniture, Fixtures, and Equipment	(500,003)	(78,439)	\$23,637	(554,805)
Vehicles	(556,049)	(62,153)		(618,202)
Total Accumulated Depreciation	<u>(2,448,243)</u>	<u>(323,876)</u>	<u>23,637</u>	<u>(2,748,482)</u>
Depreciable Capital Assets, Net	<u>14,642,338</u>	<u>(229,857)</u>	<u>(1,083)</u>	<u>14,411,398</u>
Governmental Activities Capital Assets, Net	<u>\$14,875,921</u>	<u>(\$208,888)</u>	<u>(\$1,083)</u>	<u>\$14,665,950</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$139,094
Special	10,572
Vocational	5,993
Support Services:	
Pupils	1,215
Instructional Staff	4,699
Administration	15,502
Fiscal	3,058
Operation and Maintenance of Plant	19,863
Pupil Transportation	68,182
Non-Instructional Services	26,442
Extracurricular Activities	29,256
Total Depreciation Expense	<u>\$323,876</u>

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted for the following insurance coverage:

Coverage provided by Mid-American Fire and Casualty
is as follows:

General School District Liability

Per Occurrence	\$1,000,000
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Aggregate	2,000,000
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Building and Contents	27,225,596
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Coverage provided by Midwestern Indemnity Company
is as follows:

Umbrella Liability	4,000,000
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Coverage provided by Consolidated Insurance Company
is as follows:

Automobile Liability	1,000,000
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Uninsured Motorists	1,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

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

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2005, 2004, and 2003, was \$419,184, \$414,985 and \$378,580, respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003. Contributions for the DCP and CP for the fiscal year ended June 30, 2005, were \$3,474 made by the School District and \$11,304 made by plan members.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2005 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, was \$104,576, \$86,614, and \$63,589, respectively; 40 percent has been contributed for the fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2005, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$32,512.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$48,984 for fiscal year 2005.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005, were \$178,221,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be sufficient, in the long-term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 58,123 participants currently receiving health care benefits.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is 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.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 13 - OTHER EMPLOYEE BENEFITS – (CONTINUED)

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

	<u>Sick Days Accumulated</u>	<u>Sick Days Paid Upon Retirement</u>
Administrators	240	60
Certified Employees	240	60
Classified Employees	unlimited	53

B. Health Care Benefits

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

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds					
2001 School Facilities					
Construction and Improvement					
Serial Bonds 3.3 - 4.45%	\$4,095,000		\$365,000	\$3,730,000	\$445,000
Term Bonds 5 - 5.25%	6,240,000			6,240,000	
Capital Appreciation Bonds 5.94%	340,000			340,000	
Accretion on Capital Appreciation Bonds	102,818	\$20,378		123,196	
Total 2001 School Facilities Construction and Improvement	10,777,818	20,378	365,000	10,433,196	445,000
Compensated Absences Payable	494,512	11,587	50,776	455,323	62,762
Total Governmental Activities Long-Term Liabilities	<u>\$11,272,330</u>	<u>\$31,965</u>	<u>\$415,776</u>	<u>\$10,888,519</u>	<u>\$507,762</u>

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS – (CONTINUED)

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

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

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

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

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

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

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

The capital appreciation bonds are not subject to redemption prior to maturity. The capital appreciation bonds will mature on December 1, 2009, in the amount of \$565,000. For fiscal year 2005, \$20,378 was accreted on the capital appreciation bonds for a total outstanding bond value of the capital appreciation bonds of \$463,196 at fiscal year end.

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

The School District's overall debt margin was \$10,846,514 with an unvoted debt margin of \$231,809 at June 30, 2005.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS – (CONTINUED)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2005, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Interest	Total
	Serial	Term	Capital		
2006	\$445,000			\$473,935	\$918,935
2007	475,000			455,535	930,535
2008	495,000			436,135	931,135
2009	540,000			415,300	955,300
2010			\$340,000	629,365	969,365
2011-2015	1,775,000	\$1,335,000		1,653,306	4,763,306
2016-2020		3,985,000		751,056	4,736,056
2021		920,000		23,000	943,000
	<u>\$3,730,000</u>	<u>\$6,240,000</u>	<u>\$340,000</u>	<u>\$4,837,632</u>	<u>\$15,147,632</u>

NOTE 15 - SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2005.

	Textbooks	Capital Improvements
Balance June 30, 2004	\$134,930	
Current Year Set Aside Requirement	133,137	\$133,137
Current Year Offsets		(133,137)
Qualifying Expenditures	(83,256)	
Reserve Balance June 30, 2005	<u>\$184,811</u>	<u></u>

NOTE 16 - INTERFUND TRANSFERS

During fiscal year 2004, the General Fund made transfers to other governmental funds, in the amount of \$74,312, to set aside resources for the future payment of termination benefits and to subsidize the operation of the Food Service special revenue fund.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Mary's and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2004, the School District paid \$12,988 to NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Cooperative Vocational Career Center

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

C. Northwestern Ohio Educational Research Council, Inc.

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

D. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Greg Spiess, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

E. Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to provide services to families, educators, and agencies regarding educational law and curriculum and instruction for students with disabilities. The SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating School Districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of MR/DD, one representative from a chartered non-public school, one representative from the University of Toledo, one representative from Bowling Green State University, one representative from a community school, and any other representatives from other agencies as designated by the Governing Board or the Ohio Department of Education. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Dave Michel, Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

NOTE 18 - INSURANCE POOLS

A. Hancock County Schools Insurance Consortium Group Health Plan

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

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

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

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 18 - INSURANCE POOLS – (CONTINUED)

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

NOTE 19 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, the Corporation may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$14,242 per year. A portion of the refund may be recovered from additional State entitlement payments.

NOTE 20 - SUBSEQUENT EVENTS

Emergency Tax Levy

The School District passed a three-year 5.5 mill emergency tax levy in August, 2005 that will generate \$1,275,000 per year.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 15, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Compliance and Other Matters

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

We intend this report solely for the information and use of the audit committee, management, and Board of Education. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 15, 2007



Mary Taylor, CPA
Auditor of State

VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 17, 2007