



**Auditor of State
Betty Montgomery**

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Van Buren Local School District (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Van Buren Local School District, Hancock County, as of June 30, 2002, and the results of its operations and the cash flows of its enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 3 to the financial statements the District changed its method of accounting for donated commodities during fiscal year 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

January 17, 2003

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**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,523,595	\$192,073	\$139,032	\$11,086,495
Cash and Cash Equivalents with Fiscal Agents		7,832	4,653	
Receivables:				
Property Taxes	5,758,813		667,041	306,546
Accounts	903	438		
Intergovernmental	28,453	7,998		
Interfund	3,500			
Accrued Interest	1,973			11,836
Due from Other Funds	1,362			
Prepaid Items	40,741			
Inventory Held for Resale				
Materials and Supplies Inventory	7,606			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	189,347			
Cash and Cash Equivalents with Escrow Agents				11,730
Fixed Assets (net, where applicable, of accumulated depreciation)				
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt				
Amount Available in Special Revenue Fund for Payment of Termination Benefits				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	\$8,556,293	\$208,341	\$810,726	\$11,416,607

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Agency</u>			
\$40,037	\$20,676			\$14,001,908
				12,485
				6,732,400
2,661				4,002
				36,451
				3,500
				13,809
				1,362
1,200				41,941
11,695				11,695
328				7,934
				189,347
				11,730
18,626		\$8,561,110		8,579,736
			\$168,740	168,740
			109,098	109,098
			11,565,774	11,565,774
\$74,547	\$20,676	\$8,561,110	\$11,843,612	\$41,491,912

(Continued)

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity, and Other Credits:				
<u>Liabilities:</u>				
Accounts Payable	\$52,829	\$10,022		\$10,138
Contracts Payable				790,387
Retainage Payable				117,142
Accrued Wages and Benefits	486,813	2,043		
Compensated Absences Payable	6,188	32,215		
Intergovernmental Payable	101,868	366		
Interfund Payable		3,500		
Due to Other Funds		1,362		
Deferred Revenue	5,544,092	525	\$637,333	292,975
Due to Students				
Matured Bonds Payable			3,000	
Matured Interest Payable			1,653	
General Obligation Bonds Payable				
Total Liabilities	6,191,790	50,033	641,986	1,210,642
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Property Taxes	214,721		29,708	13,571
Reserved for Textbooks	101,586			
Reserved for Budget Stabilization	17,382			
Reserved for Bus Purchase	10,948			
Reserved for Encumbrances	155,416	10,108		4,343,642
Designated for Termination Benefits		109,098		
Unreserved, Undesignated	1,864,450	39,102	139,032	5,848,752
Total Fund Equity and Other Credits	2,364,503	158,308	168,740	10,205,965
Total Liabilities, Fund Equity and Other Credits	\$8,556,293	\$208,341	\$810,726	\$11,416,607

See Accompanying Notes to the General-Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
				\$72,989
				790,387
				117,142
\$10,748				499,604
5,084			\$405,407	448,894
7,126			48,493	157,853
				3,500
				1,362
				6,474,925
	\$20,676			20,676
				3,000
				1,653
			11,389,712	11,389,712
22,958	20,676		11,843,612	19,981,697
		\$8,561,110		8,561,110
47,110				47,110
4,479				4,479
				258,000
				101,586
				17,382
				10,948
				4,509,166
				109,098
				7,891,336
51,589		8,561,110		21,510,215
\$74,547	\$20,676	\$8,561,110	\$11,843,612	\$41,491,912

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Property Taxes	\$5,622,620	
Intergovernmental	1,188,605	160,224
Interest	116,151	
Extracurricular Activities	9,451	107,498
Gifts and Donations	2,233	16,002
Miscellaneous	55,756	
	<hr/>	<hr/>
Total Revenues	6,994,816	283,724
	<hr/>	<hr/>
Expenditures:		
Current:		
Instruction:		
Regular	2,747,461	76,623
Special	542,575	48,861
Vocational	134,663	3,156
Other	367,135	
Support Services:		
Pupils	118,290	26,032
Instructional Staff	207,953	13,800
Board of Education	47,561	
Administration	599,935	9,795
Fiscal	227,232	
Operation and Maintenance of Plant	527,241	2,610
Pupil Transportation	427,798	1,597
Central	6,305	11,926
Extracurricular Activities	152,956	125,822
Capital Outlay	19,324	
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
	<hr/>	<hr/>
Total Expenditures	6,126,429	320,222
	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	868,387	(36,498)
	<hr/>	<hr/>
Other Financing Sources (Uses):		
Sale of Fixed Assets	3,500	
Operating Transfers In		50,010
Operating Transfers Out	(50,010)	
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(46,510)	50,010
	<hr/>	<hr/>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	821,877	13,512
	<hr/>	<hr/>
Fund Balances (Deficit) at Beginning of Year	1,542,626	144,796
	<hr/>	<hr/>
Fund Balances at End of Year	<u>\$2,364,503</u>	<u>\$158,308</u>

See Accompanying Notes to the General-Purpose Financial Statements

Governmental Fund Types		Totals
Debt Service	Capital Projects	(Memorandum Only)
\$830,709	\$300,211	\$6,753,540
57,301	22,049	1,428,179
	390,417	506,568
		116,949
		18,235
2,497		58,253
<u>890,507</u>	<u>712,677</u>	<u>8,881,724</u>
		2,824,084
		591,436
		137,819
		367,135
		144,322
		221,753
		47,561
14,624	5,265	609,730
		247,121
		529,851
		429,395
		18,231
		278,778
	2,528,995	2,548,319
175,000		175,000
526,323		526,323
<u>715,947</u>	<u>2,534,260</u>	<u>9,696,858</u>
<u>174,560</u>	<u>(1,821,583)</u>	<u>(815,134)</u>
		3,500
		50,010
		(50,010)
		3,500
174,560	(1,821,583)	(811,634)
(5,820)	12,027,548	13,709,150
<u>\$168,740</u>	<u>\$10,205,965</u>	<u>\$12,897,516</u>

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$5,607,483	\$5,585,362	(\$22,121)
Intergovernmental	1,290,046	1,188,684	(101,362)
Interest	157,424	114,178	(43,246)
Tuition and Fees	5,000		(5,000)
Extracurricular Activities	13,200	9,451	(3,749)
Gifts and Donations	7,000	2,233	(4,767)
Miscellaneous	13,000	25,029	12,029
Total Revenues	<u>7,093,153</u>	<u>6,924,937</u>	<u>(168,216)</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,886,835	2,827,077	59,758
Special	543,294	541,109	2,185
Vocational	153,585	142,210	11,375
Other	367,135	367,135	
Support Services:			
Pupils	123,177	115,589	7,588
Instructional Staff	218,274	203,472	14,802
Board of Education	68,310	59,560	8,750
Administration	603,093	593,130	9,963
Fiscal	239,266	226,738	12,528
Operation and Maintenance of Plant	588,474	564,735	23,739
Pupil Transportation	528,039	499,331	28,708
Central	20,155	7,037	13,118
Extracurricular Activities	156,046	152,812	3,234
Capital Outlay	24,200	21,324	2,876
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>6,519,883</u>	<u>6,321,259</u>	<u>198,624</u>
Excess of Revenues Over (Under) Expenditures	<u>573,270</u>	<u>603,678</u>	<u>30,408</u>
Other Financing Sources (Uses):			
Sale of Fixed Assets	500	3,700	3,200
Refund of Prior Year Expenditures	1,000	235	(765)
Refund of Prior Year Receipts	(69)	(69)	
Operating Transfers In			
Operating Transfers Out	(60,000)	(50,010)	9,990
Advances In		48,660	48,660
Advances Out	(10,000)	(13,500)	(3,500)
Total Other Financing Sources (Uses)	<u>(68,569)</u>	<u>(10,984)</u>	<u>57,585</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	504,701	592,694	87,993
Fund Balances at Beginning of Year	1,644,762	1,644,762	
Prior Year Encumbrances Appropriated	222,484	222,484	
Fund Balances at End of Year	<u>\$2,371,947</u>	<u>\$2,459,940</u>	<u>\$87,993</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$105,295	\$98,283	(\$7,012)	\$822,343	\$833,841	\$11,498
			68,025	57,301	(10,724)
123,553	107,996	(15,557)			
23,605	15,699	(7,906)			
				2,497	2,497
<u>252,453</u>	<u>221,978</u>	<u>(30,475)</u>	<u>890,368</u>	<u>893,639</u>	<u>3,271</u>
164,655	97,401	67,254			
41,873	41,873				
3,500	3,500				
203		203			
1,909	874	1,035			
			16,050	14,624	1,426
4,000	2,610	1,390			
14,341	11,929	2,412			
158,675	130,922	27,753			
			175,000	175,000	
			526,323	526,323	
<u>389,156</u>	<u>289,109</u>	<u>100,047</u>	<u>717,373</u>	<u>715,947</u>	<u>1,426</u>
<u>(136,703)</u>	<u>(67,131)</u>	<u>69,572</u>	<u>172,995</u>	<u>177,692</u>	<u>4,697</u>
	85	85			
60,000	50,010	(9,990)			
	3,500	3,500			
				(38,660)	(38,660)
<u>60,000</u>	<u>53,595</u>	<u>(6,405)</u>		<u>(38,660)</u>	<u>(38,660)</u>
(76,703)	(13,536)	63,167	172,995	139,032	(33,963)
171,776	171,776				
14,811	14,811				
<u>\$109,884</u>	<u>\$173,051</u>	<u>\$63,167</u>	<u>\$172,995</u>	<u>\$139,032</u>	<u>(\$33,963)</u>

(Continued)

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002
(Continued)**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$299,214	\$297,337	(\$1,877)
Intergovernmental	21,647	22,049	402
Interest	430,000	378,581	(51,419)
Tuition and Fees			
Extracurricular Activities			
Gifts and Donations			
Miscellaneous			
Total Revenues	750,861	697,967	(52,894)
Expenditures:			
Current:			
Instruction:			
Regular	135,000	133,958	1,042
Special			
Vocational			
Other			
Support Services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal	5,460	5,265	195
Operation and Maintenance of Plant	20,645	19,025	1,620
Pupil Transportation			
Central	17,000	17,000	
Extracurricular Activities	5,700	5,297	403
Capital Outlay	8,723,643	6,498,222	2,225,421
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	8,907,448	6,678,767	2,228,681
Excess of Revenues Over (Under) Expenditures	(8,156,587)	(5,980,800)	2,175,787
Other Financing Sources (Uses):			
Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Refund of Prior Year Receipts			
Operating Transfers In			
Operating Transfers Out			
Advances In			
Advances Out			
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(8,156,587)	(5,980,800)	2,175,787
Fund Balances at Beginning of Year	11,900,375	11,900,375	
Prior Year Encumbrances Appropriated	131,420	131,420	
Fund Balances at End of Year	\$3,875,208	\$6,050,995	\$2,175,787

See Accompanying Notes to the General-Purpose Financial Statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$6,729,040	\$6,716,540	(\$12,500)
1,485,013	1,366,317	(118,696)
587,424	492,759	(94,665)
5,000		(5,000)
136,753	117,447	(19,306)
30,605	17,932	(12,673)
13,000	27,526	14,526
8,986,835	8,738,521	(248,314)
3,186,490	3,058,436	128,054
585,167	582,982	2,185
157,085	145,710	11,375
367,135	367,135	
123,177	115,589	7,588
218,477	203,472	15,005
68,310	59,560	8,750
605,002	594,004	10,998
260,776	246,627	14,149
613,119	586,370	26,749
528,039	499,331	28,708
51,496	35,966	15,530
320,421	289,031	31,390
8,747,843	6,519,546	2,228,297
175,000	175,000	
526,323	526,323	
16,533,860	14,005,082	2,528,778
(7,547,025)	(5,266,561)	2,280,464
500	3,700	3,200
1,000	320	(680)
(69)	(69)	
60,000	50,010	(9,990)
(60,000)	(50,010)	9,990
	52,160	52,160
(10,000)	(52,160)	(42,160)
(8,569)	3,951	12,520
(7,555,594)	(5,262,610)	2,292,984
13,716,913	13,716,913	
368,715	368,715	
\$6,530,034	\$8,823,018	\$2,292,984

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenses,
and Changes in Fund Equity
Enterprise Funds
For the Fiscal Year Ended June 30, 2002**

Operating Revenues:	
Sales	<u>\$177,558</u>
Operating Expenses:	
Salaries	65,377
Fringe Benefits	23,667
Purchased Services	1,105
Materials and Supplies	6,118
Cost of Sales	112,919
Depreciation	3,477
Other Operating Expenses	<u>234</u>
Total Operating Expenses	<u>212,897</u>
Operating Loss	<u>(35,339)</u>
Non-Operating Revenues:	
Federal Donated Commodities	17,766
Operating Grants	19,115
Interest	<u>251</u>
Total Non-Operating Revenues	<u>37,132</u>
Net Income	1,793
Retained Earnings at Beginning of Year - Restated Note 3	<u>2,686</u>
Retained Earnings at End of Year	4,479
Contributed Capital at Beginning and End of Year	<u>47,110</u>
Total Fund Equity at End of Year	<u><u>\$51,589</u></u>

See Accompanying Notes to the General-Purpose Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
Enterprise Funds
For the Fiscal Year Ended June 30, 2002**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$186,625	\$177,336	(\$9,289)
Charges for Services	3,500		(3,500)
Operating Grants	17,650	19,115	1,465
Interest	500	251	(249)
	<u>208,275</u>	<u>196,702</u>	<u>(11,573)</u>
Expenses:			
Salaries	71,225	68,468	2,757
Fringe Benefits	25,460	24,379	1,081
Purchased Services	1,150	1,105	45
Materials and Supplies	111,712	97,719	13,993
Capital Outlay	100	90	10
Other Expenses	300	234	66
	<u>209,947</u>	<u>191,995</u>	<u>17,952</u>
Excess of Revenues Over (Under) Expenses	(1,672)	4,707	6,379
Advances In		10,000	10,000
Advances Out		(10,000)	(10,000)
Excess of Revenues Over (Under) Expenses and Advances	(1,672)	4,707	6,379
Fund Balances at Beginning of Year	31,509	31,509	
Prior Year Encumbrances Appropriated	702	702	
Fund Balances at End of Year	<u><u>\$30,539</u></u>	<u><u>\$36,918</u></u>	<u><u>\$6,379</u></u>

See Accompanying Notes to the General-Purpose Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2002**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$177,336
Cash Payments for Salaries	(68,468)
Cash Payments for Fringe Benefits	(24,379)
Cash Payments to Suppliers	(95,795)
Cash Payments for Other Expenses	(234)
Net Cash Used for Operating Activities	(11,540)

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	19,115
Cash Received from Advances In	10,000
Cash Payments for Advances Out	(10,000)
Net Cash Provided by Noncapital Financing Activities	19,115

Cash Flows from Investing Activities:

Cash Received from Interest	251
-----------------------------	-----

Net Increase in Cash and Cash Equivalents 7,826

Cash and Cash Equivalents at Beginning of Year 32,211

Cash and Cash Equivalents at End of Year \$40,037

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss (\$35,339)

Adjustments to Reconcile Operating Loss to

Net Cash Used for Operating Activities:

Depreciation	3,477
Donated Commodities Received During Year	17,766
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(222)
Decrease in Prepaid Items	82
Decrease in Inventory Held for Resale	6,742
Increase in Materials and Supplies Inventory	(118)
Decrease in Accounts Payable	(43)
Decrease in Accrued Wages and Benefits	(2,261)
Decrease in Compensated Absences Payable	(965)
Decrease in Intergovernmental Payable	(659)

Net Cash Used for Operating Activities (\$11,540)

Non-Cash Capital Transactions:

During fiscal year 2002, the School District received donated commodities in the Food Service enterprise fund, in the amount of \$17,766.

See Accompanying Notes to the General-Purpose Financial Statements

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002**

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 496th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by forty-three classified employees, sixty-one certified teaching personnel, and five administrative employees who provide services to nine hundred eighty-six students and other community members. The School District currently operates an elementary school and an elementary/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 organizations' 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 four jointly governed organizations and three 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, Ohio School Plan, Hancock County Schools Health Benefit Fund and Trust, and NOACSC Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 19 and 20 to the combined financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 the enterprise funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The General Fund is the operating fund of the School District and 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.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is

**VAN BUREN LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds are agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the enterprise funds.

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
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(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, and donations.

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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 the governmental funds.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations by fund cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the function level within the General Fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. 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.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The Eisenhower, Title VI-B, Drug Free, and Early Childhood Preschool special revenue funds are flow through grants in which the Hancock County Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Hancock County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported 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.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at any legal level of control.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds and funds held by the Hancock Educational Service Center, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for the enterprise funds.

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. 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. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

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 combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents".

Cash and cash equivalents that are held separately for the School District by an escrow agent are recorded on the combined balance sheet as "Cash and Cash Equivalents with Escrow Agent".

During fiscal year 2002, investments were limited to nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

The School District allocates interest earnings according to Ohio statutes. Interest revenue credited to the General Fund during fiscal year 2002 was \$116,151, which included \$20,693 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the 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 considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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.

F. Inventory

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

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials and to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

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

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise fund are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of two hundred fifty dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to fifteen years.

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables". Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from/to Other Funds".

J. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account

**VAN BUREN LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

“Compensated Absences Payable” in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments for these liabilities made more than sixty days after fiscal year end are considered not to have required the use of current available expendable resources. Bonds are reported as a liability in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise funds are reported as liabilities in the appropriate fund.

L. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise funds prior to fiscal year 2001 that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

Capital contributions received from other governments and private sources subsequent to fiscal year 2000 are recorded as revenues and reported as retained earnings. Contributions from other funds continue to be reported as contributed capital.

M. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity 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 of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, textbooks, budget stabilization, bus purchase, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designation for termination benefits represents revenues accumulated in a special revenue fund for future severance payments.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

**VAN BUREN LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. 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.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

In fiscal year 2001, the School District recognized donated commodities as revenue when used instead of when received. For the enterprise fund, this correction increased retained earnings \$6,340 from (\$3,654) to \$2,686.

NOTE 4 - ACCOUNTABILITY

The Food Service enterprise fund had deficit retained earnings of \$38,584 at June 30, 2002, as a result of accumulated operating losses from prior years.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise funds (GAAP basis).

**VAN BUREN LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

4. Although not part of the appropriated budget, the Eisenhower, Title VI-B, Drug Free, and Early Childhood Preschool special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$821,877	\$13,512	\$174,560	(\$1,821,583)
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 2001, Received in Cash FY 2002	177,768	1,125	32,840	10,697
Accrued FY 2002, Not Yet Received in Cash	(247,412)	(7,911)	(29,708)	(25,407)
Expenditure Accruals:				
Accrued FY 2001, Paid in Cash FY 2002	(583,864)	(50,813)		(14,944)
Accrued FY 2002, Not Yet Paid in Cash	647,698	46,008		917,667
Cash Adjustments:				
Unrecorded Activity FY 2001	200			
Unrecorded Activity FY 2002				(11,730)
Prepaid Items	(5,016)	207		
Materials and Supplies Inventory	(715)			
Advances In	48,660	3,500		
Advances Out	(13,500)		(38,660)	
Excess of Revenues Over Expenditures for Nonbudgeted Funds		(142)		
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(253,002)	(19,022)		(5,035,500)
Budget Basis	\$592,694	(\$13,536)	\$139,032	(\$5,980,800)

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**Notes to the General-Purpose Financial Statements
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Net Income/Excess of Revenues Over Expenses and Advances
Enterprise Funds

<u>GAAP Basis</u>	\$1,793
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2001, Received in Cash FY 2002	2,439
Accrued FY 2002, Not Yet Received in Cash	(2,661)
Expense Accruals:	
Accrued FY 2001, Paid in Cash FY 2002	(26,886)
Accrued FY 2002, Not Yet Paid in Cash	22,958
Prepaid Items	82
Inventory Held for Resale	6,742
Materials and Supplies Inventory	(118)
Depreciation Expense	3,477
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(3,119)
Budget Basis	\$4,707

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

Interim monies 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;

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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;
5. 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; and
6. The State Treasurer's investment pool (STAR Ohio).

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

At fiscal year end, the School District had \$100 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents". The School District also had \$7,832 held by the Hancock County Educational Service Center, which is included on the balance sheet of the School District as part of "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. 3.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$11,801,752 and the bank balance was \$12,075,811. Of the bank balance, \$295,145 was covered by federal depository insurance and \$11,780,666 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered

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investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2002, the fair value of funds on deposit with STAR Ohio was \$2,405,786.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$14,215,470	
Cash on Hand	(100)	
Cash and Cash Equivalents with Educational Service Center	(7,832)	
Investments:		
STAR Ohio	(2,405,786)	\$2,405,786
GASB Statement No. 3	\$11,801,752	\$2,405,786

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half 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 and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes for calendar year 2002 were levied after April 1, 2001, on the assessed values as of January 1, 2001, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenue received in calendar year 2002 (other than public utility property) represents the collection of calendar year 2002 taxes. Tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid

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annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2002, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is recognized as revenue at year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$214,721 in the General Fund, \$29,708 in the Bond Retirement debt service fund, and \$13,571 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2001, was \$177,463 in the General Fund, \$32,840 in the Bond Retirement debt service fund, and \$10,697 in the Permanent Improvement capital projects fund.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$75,853,730	42.03%	\$80,919,920	37.00%
Industrial/Commercial	41,062,210	22.75%	44,380,810	20.29%
Public Utility	9,092,390	5.04%	7,713,230	3.53%
Tangible Personal	54,480,944	30.18%	85,677,260	39.18%
Total Assessed Value	<u>\$180,489,274</u>	<u>100.00%</u>	<u>\$218,691,220</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 <u>\$37.40</u>		 <u>\$37.40</u>	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts (student fees and billings for user charged services), intergovernmental, interfund, accrued interest, and services charged to other funds. 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. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. Accounts receivable at June 30 were \$4,002.

A summary of the principal items of intergovernmental receivables follows:

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	Amounts
General Fund	
Hancock County Educational Service Center	\$28,364
State of Ohio	13
Hancock County	76
Total General Fund	28,453
Special Revenue Funds	
Miscellaneous State Grants	3,500
E-Rate	701
Title VI-R	3,797
Total Special Revenue Funds	7,998
Total	\$36,451

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$81,014
Less Accumulated Depreciation	(62,388)
Net Fixed Assets	\$18,626

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
Land and Improvements	\$155,129	\$24,080		\$179,209
Buildings and Improvements	2,659,364	9,934		2,669,298
Furniture, Fixtures and Equipment	1,883,362	283,832	\$62,991	2,104,203
Books	528,997	50,249		579,246
Vehicles	778,698	61,927	42,645	797,980
Construction in Progress		2,231,174		2,231,174
Totals	\$6,005,550	\$2,661,196	\$105,636	\$8,561,110

NOTE 10 - INTERFUND ACTIVITY

At June 30, 2002, the General Fund had an interfund receivable and the Miscellaneous State Grants special revenue fund had an interfund payable, in the amount of \$3,500.

At June 30, 2002, the had a General Fund had an amount due from other funds and the Title VI-R special revenue fund had an amount due to other funds, in the amount of \$1,362.

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For the Fiscal Year Ended June 30, 2002
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NOTE 11 - 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 2002, the School District contracted for the following insurance coverages:

Coverage provided by Ohio School Plan is as follows:

General School District Liability	
Per Occurrence	\$1,000,000
Total per Year	3,000,000

Coverage provided by Twin City Fire Insurance Company is as follows:

Umbrella Liability Insurance	\$2,000,000
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Coverage provided by Nationwide Insurance is as follows:

Buildings and Contents - replacement cost	\$15,642,600
Boiler and Machinery (\$500 deductible)	15,160,200
Inland Marine Coverage	
Musical Instruments (\$100 deductible)	178,646
Photographic Equipment	213,821
Electronic Equipment - including computers (\$250 deductible)	888,735
Automobile Liability	2,000,000
Uninsured Motorists	2,000,000
Medical Payments - per person	5,000

Coverage provided by Peerless Insurance is as follows:

Employee Dishonesty - per loss	\$10,000
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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.

For fiscal year 2002, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Hancock County Schools Health Benefit Fund and Trust (Trust), 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 Trust for employee medical, dental, vision, and life insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2002, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each

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member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Acordia Workers' Compensation Services provides administrative, cost control and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 12 - CONTRACTUAL COMMITMENTS

At June 30, 2002, the School District had contractual commitments as follows:

<u>Project</u>	<u>Vendor</u>	<u>Contract Amount</u>	<u>Paid</u>	<u>Balance</u>
Elementary School	Buehrer Group	\$348,789	\$290,657	\$58,132
Elementary School	Marlin, White, & Sons, Inc.	1,046,250	81,800	964,450
Elementary School	Brint Electric, Inc.	606,250	47,527	558,723
Elementary School	Mel Lanzer Co.	3,830,810	514,233	3,316,577
Elementary School	Vulcan Enterprises, Inc.	95,631	6,377	89,254
Elementary School	Northwestern Masonry	15,462		15,462
High School	Telamon	3,188,000		3,188,000
High School	Allteck Plumbing and Heating	170,300		170,300
High School	Vulcan Enterprises	57,866		57,866
High School	Marlin White and Sons	583,000		583,000
High School	Brint Electric, Inc.	633,574		633,574
		<u>\$10,575,932</u>	<u>\$940,594</u>	<u>\$9,635,338</u>

NOTE 13 - 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, annual cost-of-living adjustments, and death benefits to members and 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.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. 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 to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$263,951, \$259,691, and \$158,517, respectively; 82 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$46,686, is recorded as a liability within the respective funds.

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(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.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. 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, 2002, 2001, and 2000, were \$41,406, \$30,952, and \$38,618, , respectively; 48 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$21,551, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 2002, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most 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 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$125,030.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

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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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 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 2002, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$81,815 for fiscal year 2002.

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, 2001 (the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 15 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. 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>25% of Sick Days Paid Upon Retirement to the following maximums</u>
Administrators	240	60
Certified Employees	240	60
Classified Employees	unlimited	51

B. Health Care Benefits

The School District provides medical, dental, vision, and life insurance to all employees through the Hancock County Schools Health Benefit Fund and Trust. 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.

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NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
School Facilities Construction and Improvement Bonds FY 2001				
4.8 - 5.25%	\$11,546,910	\$17,802	\$175,000	\$11,389,712
Compensated Absences Payable	412,863		7,456	405,407
Intergovernmental Payable	55,341	48,493	55,341	48,493
Total General Long-Term Obligations	\$12,015,114	\$66,295	\$237,797	\$11,843,612

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 includes 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 term 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:

Year	Amount
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 a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date. The bonds maturing on December 1, 2011, are not subject to redemption prior to maturity.

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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 2002, \$17,802 was accreted on the capital appreciation bonds for a total outstanding bond value of the capital appreciation bonds of \$404,712 at fiscal year end.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$8,461,238 with an unvoted debt margin of \$218,691 at June 30, 2002.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2001, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Interest	Total
	Serial	Term	Capital		
2003	\$310,000			\$523,435	\$833,435
2004	340,000			511,035	851,035
2005	365,000			497,435	862,435
2006	445,000			482,835	927,835
2007	475,000			465,035	940,035
2008-2012	2,190,000		\$565,000	2,282,115	5,037,115
2013-2017	620,000	\$2,810,000		1,410,615	4,840,615
2018-2021		3,430,000		439,250	3,869,250
	<u>\$4,745,000</u>	<u>\$6,240,000</u>	<u>\$565,000</u>	<u>\$6,611,755</u>	<u>\$18,161,755</u>

NOTE 17 - SET ASIDE REQUIREMENTS

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 to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2002, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2002.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2001	\$119,825		\$17,382
Current Year Set Aside Requirement	106,256	\$106,256	
Current Year Offset		(106,256)	
Qualifying Expenditures	(124,495)		
Balance June 30, 2002	<u>\$101,586</u>	<u></u>	<u>\$17,382</u>

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The total reserve balance at the end of fiscal year 2002 was \$118,968.

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and adult education. The table below reflects the more significant financial data relating to the enterprise funds of Van Buren Local School District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Adult Education	Total Enterprise Funds
Operating Revenues	\$140,075	\$37,483		\$177,558
Depreciation Expense	3,477			3,477
Operating Income (Loss)	(43,583)	8,244		(35,339)
Federal Donated Commodities	17,766			17,766
Operating Grants	19,115			19,115
Net Income (Loss)	(6,451)	8,244		1,793
Net Working Capital	(5,015)	42,730	\$332	38,047
Total Assets	31,485	42,730	332	74,547
Total Equity	8,527	42,730	332	51,589
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	550	2,569		3,119

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2002, the School District paid \$13,493 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, Pam Barber, who serves as treasurer, 227 South West Street, Findlay, Ohio 45840-3377.

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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.

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 Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

NOTE 20 - INSURANCE POOLS

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Hancock County Schools Health Benefit Fund and Trust

The Hancock County Schools Health Benefit Fund and Trust (Trust) 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 Trust 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

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participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Tim Smith, Ohio Benefits Group, 545 Pearl Street, Bowling Green, Ohio 43402.

C. NOACSC Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool.

The Safety Coordinator, Robert Lotz of NOACSC, or his designee serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 21 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed the Ohio General Assembly to enact a school funding scheme that is thorough and efficient. The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 22 - CONTINGENT LIABILITIES

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, 2002.

B. Litigation

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



**Auditor of State
Betty Montgomery**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education

We have audited the financial statements of Van Buren Local School District (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 17, 2003, in which we disclosed the District changed its method of accounting for donated commodities. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 17, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 17, 2003.

Van Buren Local School District
Hancock County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

January 17, 2003



**Auditor of State
Betty Montgomery**

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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
MARCH 4, 2003**