



Dave Yost • Auditor of State

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

April 15, 2015

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The management's discussion and analysis of the Van Buren Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position of governmental activities increased \$957,190 which represents a 5.71% increase from June 30, 2013's net position.
- General revenues accounted for \$11,106,844 in revenue or 84.82% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,987,559 or 15.18% of total revenues of \$13,094,403.
- The School District had \$12,137,213 in expenses related to governmental activities; \$1,987,559 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,106,844 were adequate to provide for these programs.
- The School District's two major governmental funds are the general fund and the bond retirement fund. The general fund had \$11,144,780 in revenues and other financing sources and \$10,681,119 in expenditures. During fiscal year 2014, the general fund's fund balance increased \$463,661 from a balance of \$7,345,464 to \$7,809,125.
- The bond retirement fund had \$1,023,397 in revenues and \$1,105,116 in expenditures. During fiscal year 2014, the bond retirement fund's fund balance decreased by \$81,719 from a balance of \$771,521 to a balance of \$689,802.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's two major governmental funds are the general fund and bond retirement fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Fiduciary Funds

The School District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary assets and liabilities on page 20. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Notes to the Basic Financial Statements

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

The School District as a Whole

The statement of net position provides the perspective of the School District as a whole. The table below provides a summary of the School District's net position at June 30, 2014 and 2013.

	Net Position	
	Governmental Activities 2014	Governmental Activities 2013
<u>Assets</u>		
Current and other assets	\$ 15,874,357	\$ 17,150,822
Capital assets, net	13,963,888	13,863,355
Total assets	29,838,245	31,014,177
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on debt refunding	426,788	512,424
<u>Liabilities</u>		
Current liabilities	1,079,306	1,102,475
Long-term liabilities	6,015,824	6,927,506
Total liabilities	7,095,130	8,029,981
<u>Deferred Inflows of Resources</u>		
Deferred inflows of resources	5,456,845	6,740,752
<u>Net Position</u>		
Net investment in capital assets	9,248,878	8,202,275
Restricted	1,065,129	1,766,595
Unrestricted	7,399,051	6,786,998
Total net position	\$ 17,713,058	\$ 16,755,868

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the School District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$17,713,058. Of this total, \$7,399,051 is unrestricted in use.

Total assets of the School District decreased \$1,175,932 or 3.79%. Current and other assets decreased \$1,276,465 or 7.44% due primarily to a decrease in property taxes receivable.

At year-end, capital assets represented 46.80% of total assets. Capital assets include land, land improvements, buildings and improvements, other improvements, infrastructure, furniture/fixtures/equipment and vehicles. Net investment in capital assets at June 30, 2014, was \$9,248,878. These capital assets are used to provide services to the students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

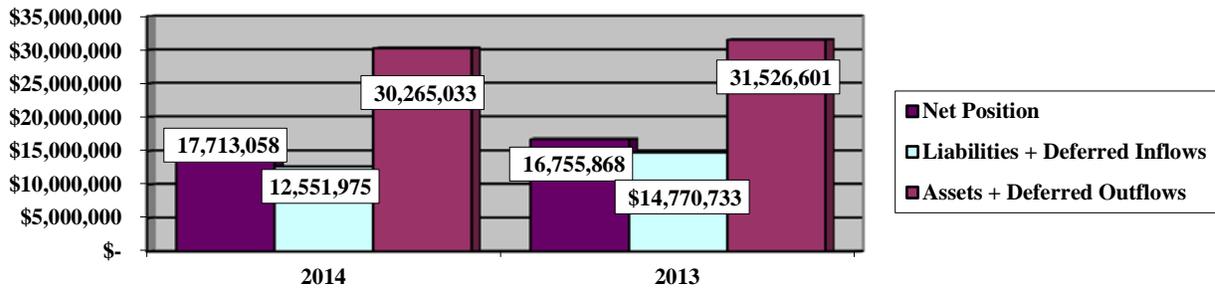
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Liabilities of the School District decreased \$934,851 or 13.18%. The primary reason for this decrease is due a decrease in long-term liabilities. This decrease was due to the repayment of \$925,000 in general obligation bonds during fiscal year 2014.

A portion of the School District's net position, \$1,065,129, represents resources that are subject to external restriction on how they may be used. The large restricted amounts consist of \$410,556 restricted for capital projects and \$457,676 restricted for debt service. The remaining balance of unrestricted net position of \$7,399,051 may be used to meet the School District's ongoing obligations to the students and creditors.

The graph below illustrates the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2014 and 2013.

Governmental Activities



The table below shows the change in net position for fiscal year 2014 and 2013. Certain fiscal year 2013 amounts have been reclassified to conform to fiscal year 2014's presentation.

	<u>Change in Net Position</u>	
	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,428,305	\$ 1,363,590
Operating grants and contributions	554,532	412,871
Capital grants and contributions	4,722	-
General revenues:		
Taxes	7,402,331	6,999,377
Payment in lieu of taxes	111,324	114,609
Grants and entitlements	3,478,584	3,366,546
Interest	50,959	30,110
Miscellaneous	63,646	117,265
Total revenues	<u>13,094,403</u>	<u>12,404,368</u>

(Continued)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	<u>Change in Net Position (Continued)</u>	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,982,222	\$ 4,922,327
Special	1,325,227	1,105,342
Vocational	230,625	217,879
Other	467,530	464,528
Support services:		
Pupil	602,046	575,587
Instructional staff	345,040	295,131
Board of education	52,981	51,133
Administration	724,204	761,905
Fiscal	381,179	374,448
Operations and maintenance	1,413,374	1,339,981
Pupil transportation	610,045	600,066
Central	42,668	39,010
Operations of non-instructional services:		
Food service operations	277,109	307,247
Extracurricular activities	448,870	412,633
Interest and fiscal charges	234,093	381,045
Total expenses	<u>12,137,213</u>	<u>11,848,262</u>
Change in net position	957,190	556,106
Net position at beginning of year	<u>16,755,868</u>	<u>16,199,762</u>
Net position at end of year	<u>\$ 17,713,058</u>	<u>\$ 16,755,868</u>

Governmental Activities

Net position of the School District's governmental activities increased \$957,190. Total governmental expenses of \$12,137,213 were offset by program revenues of \$1,987,559 and general revenues of \$11,106,844. Program revenues supported 16.38% of the total governmental expenses.

Revenues of the School District increased \$690,035 or 5.56%. This increase is primarily due to an increase in property taxes. Property tax revenues increased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Hancock County Auditor. Tax advances available are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2014 and 2013 were \$1,478,369 and \$994,000, respectively. The amount of tax advance available at year-end can vary depending upon when the county auditors distribute tax bills. This revenue source represents 56.53% of total governmental revenue.

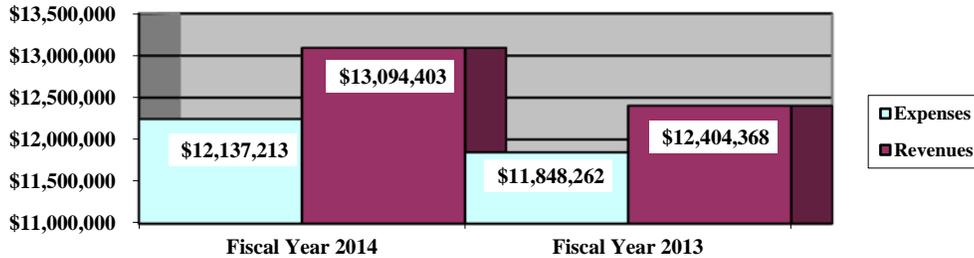
The largest expense of the School District is for instructional programs. Instruction expenses totaled \$7,005,604 or 57.72% of total governmental expenses for fiscal year 2014. Overall expenses of the School District increased \$288,951 or 2.44%. This increase was due to increases in wages and fringe benefits during the year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The graph below presents the School District's governmental activities revenues and expenses for fiscal year 2014 and 2013.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Program expenses				
Instruction:				
Regular	\$ 4,982,222	\$ 3,830,600	\$ 4,922,327	\$ 3,854,771
Special	1,325,227	1,115,170	1,105,342	821,381
Vocational	230,625	217,108	217,879	217,574
Other	467,530	467,530	464,528	464,528
Support services:				
Pupil	602,046	431,636	575,587	575,587
Instructional staff	345,040	338,084	295,131	295,131
Board of education	52,981	52,981	51,133	51,133
Administration	724,204	724,204	761,905	761,905
Fiscal	381,179	381,179	374,448	374,448
Operations and maintenance	1,413,374	1,392,564	1,339,981	1,339,981
Pupil transportation	610,045	587,012	600,066	580,571
Central	42,668	37,268	39,010	33,610
Operations of non-instructional services:				
Food service operations	277,109	12,604	307,247	20,871
Extracurricular activities	448,870	327,621	412,633	299,265
Interest and fiscal charges	234,093	234,093	381,045	381,045
Total expenses	<u>\$ 12,137,213</u>	<u>\$ 10,149,654</u>	<u>\$ 11,848,262</u>	<u>\$ 10,071,801</u>

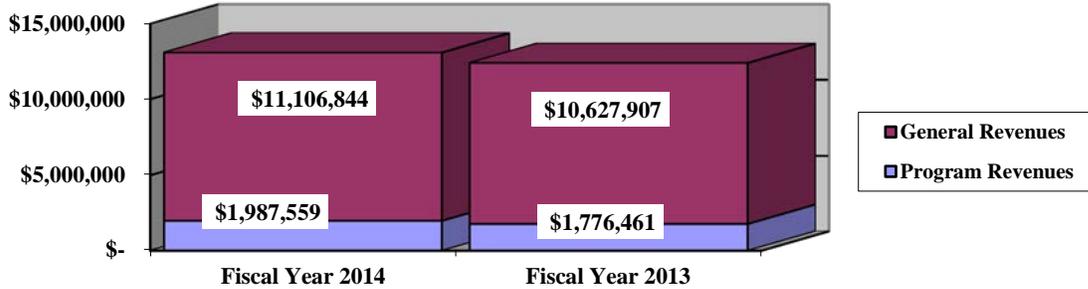
The dependence upon tax and other general revenues for governmental activities is apparent, 80.37% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.62%. The School District's taxpayers and grants and entitlements received from the State of Ohio that are not restricted in use are by far the primary support for School District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The graph below presents the School District's governmental activities revenue for fiscal year 2014 and 2013.

Governmental Activities - General and Program Revenues



The School District's Funds

The School District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$9,107,105, which is higher than last year's total of \$8,976,761. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	<u>Change</u>	Percentage <u>Change</u>
General	\$ 7,809,125	\$ 7,345,464	\$ 463,661	6.31 %
Bond retirement	689,802	771,521	(81,719)	(10.59) %
Other governmental	<u>608,178</u>	<u>859,776</u>	<u>(251,598)</u>	(29.26) %
Total	<u>\$ 9,107,105</u>	<u>\$ 8,976,761</u>	<u>\$ 130,344</u>	1.45 %

General Fund

The School District's general fund balance increased \$463,661.

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

	<u>2014 Amount</u>	<u>2013 Amount</u>	<u>Change</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,481,895	\$ 5,755,939	\$ 725,956	12.61 %
Tuition	1,098,231	1,063,195	35,036	3.30 %
Interest	49,222	34,017	15,205	44.70 %
Intergovernmental	3,227,294	3,015,518	211,776	7.02 %
Other	<u>253,534</u>	<u>187,003</u>	<u>66,531</u>	35.58 %
Total	<u>\$ 11,110,176</u>	<u>\$ 10,055,672</u>	<u>\$ 1,054,504</u>	10.49 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Overall revenues of the general fund increased \$1,054,504 or 10.49%. The most significant increase was in the area of taxes which increased \$725,956 or 12.61%. Property tax revenues increased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Hancock County Auditor. Tax advances available are recorded as revenue under GAAP. The amount of tax advances available in the general fund at June 30, 2014 and 2013 was \$1,289,348 and \$832,000, respectively. The amount of tax advance available at year-end can vary depending upon when the county auditors distribute tax bills. The increase of \$211,776 in intergovernmental revenue was the result of increased special education State foundation funding.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
Instruction	\$ 6,749,675	\$ 6,304,534	\$ 445,141	7.06 %
Supporting services	3,634,436	3,600,009	34,427	0.96 %
Extracurricular activities	<u>297,008</u>	<u>273,158</u>	<u>23,850</u>	8.73 %
Total	<u>\$ 10,681,119</u>	<u>\$ 10,177,701</u>	<u>\$ 503,418</u>	4.95 %

Expenditures of the general fund increased \$503,418 or 4.95%. The most significant increase was in the area of instruction which increased \$445,141 or 7.06%. This increase was the result of increases in wages and benefits.

Bond Retirement Fund

The bond retirement fund had \$1,023,397 in revenues during fiscal year 2014. The bond retirement fund had \$1,105,116 in expenditures. During fiscal year 2014, the bond retirement fund's fund balance decreased by \$81,719 from a balance of \$771,521 to a balance of \$689,802. The decrease was due to scheduled bond principal and interest payments exceeding revenues during fiscal year 2014.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District amended its general fund budget several times. For the general fund, original budgeted and other financing sources were \$8,432,267. The final budgeted revenues and other financing sources were \$10,666,555. Actual revenues and other financing sources for fiscal year 2014 were \$10,733,107. This represents a \$66,552 increase over final budgeted revenues.

General fund original appropriations and other financing uses totaled \$8,967,986 and final appropriations and other financing uses totaled \$11,025,679. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$10,819,934, which is lower than the final budget appropriations by \$205,745.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$13,963,888 invested in land, land improvements, buildings and improvements, other improvements, furniture/fixtures/equipment and vehicles. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The following table shows June 30, 2014 balances compared to June 30, 2013:

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

	Governmental Activities	
	2014	2013
Land	\$ 534,329	\$ 168,329
Land improvements	630,621	675,336
Buildings and improvements	12,100,581	12,244,620
Furniture, fixtures and equipment	298,853	317,727
Vehicles	399,504	457,343
Total	\$ 13,963,888	\$ 13,863,355

The overall increase in capital assets of \$100,533 is due to capital outlays of \$436,079 exceeding current year depreciation of \$335,116 and disposals (net of accumulated depreciation) of \$430.

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

Debt Administration

The following table summarizes the School District's long term debt outstanding at June 30, 2014 and 2013.

	Governmental Activities	
	2014	2013
2010 School Facilities Construction		
General Obligation Bonds	\$ 4,535,000	\$ 5,460,000
Capital appreciation bonds and accreted interest	309,695	219,507
Total	\$ 4,844,695	\$ 5,679,507

At June 30, 2014, the School District had \$4,844,695 in current interest bonds, capital appreciation bonds, accreted interest. Of this total, \$650,000 is due within one year and \$4,194,695 is due in greater than one year.

Current Issues

The Van Buren Local School District is a rural school district located in northern Hancock County. The School District has 1,034 students and employs 69 teachers. The School District receives a small portion its total operating revenue from the State foundation formula for school funding. Rather, the School District receives the majority of its funding from its local tax base, which has a present assessed valuation of \$233,658,830 (calendar year 2014).

The State's financial condition and other economic factors require constant surveillance by the School District. New legislation and funding proposals out of Columbus will also have a major impact on the School District's finances and must be monitored closely. The ending of a major TIF agreement and the School District's share of tax abatement for the Home Depot warehouse are areas of increased revenue for the School District. On November 5, 2013 the School District voters approved a 4.5 mill five year renewal levy. In addition, voters also approved a 1.5 mill permanent improvement levy. Reductions in the reimbursement from the State for a portion of the School District's lost personal property tax for the next two years are a concern. Failure of the legislature to continue some level of reimbursement in subsequent years could have a negative impact on the School District's finances.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Contract negotiations with the certified union were challenging with the Board of Education. Given its financial limitations, the Board entered into a 3 year contract starting with the 2013-14 school year with increases of 1.5% in the first and second year and a clause to negotiate performance based pay the third year or a 0% increase. Members of the bargaining unit that take single coverage medical insurance will see an increase in premium contributions to 15 percent. There was no change to the family contribution of 15 percent. Negotiations with the classified union resulted in a step freeze for three years (2011-2014), no increase in year one, an increase of 1.125 percent the second year, and 1.125 percent in the third year. The classified union also had concessions in health care plans and increases the same as the above teachers union. In accordance with the School District's strategic plan, actions have been taken in the areas of facilities, technology, and curriculum. One to One computing was expanded from the middle school to include the high school. Each student in grades 6 through 10 was provided with a school owned netbook computer. In fiscal year 2012, the School District expanded the program to grades 11 and 12 students. In fiscal year 2013, the program was expanded to grade 5. Distance learning was utilized to expand curricular offerings to the middle school students. This program will also be expanded to the high school. Building usage studies on the high school/middle school building are being conducted to look at the need for the new construction of and/or renovation to all or parts of the building to meet future needs. The School District put a levy on the ballot in May and November of 2014 for new facilities that failed both times. The School District has purchased property to the north of the current campus and is looking at purchasing several additional properties in the future. The purchase of these properties is for possible expansion of facilities as the current campus may not be big enough to meet our future needs. Many of these expenses are possible because of the School District's permanent improvement levy which allows the School District to take many of these actions without requiring funds from the general operating budget.

Contacting the School District's Financial Management

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

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

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 8,594,573
Receivables:	
Property taxes	7,100,033
Payment in lieu of taxes	93,448
Accounts	26,401
Accrued interest	11,072
Intergovernmental	9,854
Prepayments	29,602
Materials and supplies inventory	231
Inventory held for resale	9,143
Capital assets:	
Nondepreciable capital assets	534,329
Depreciable capital assets, net	13,429,559
Capital assets, net	13,963,888
 Total assets	 29,838,245
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	426,788
 Liabilities:	
Accounts payable	43,285
Accrued wages and benefits payable	787,337
Pension obligation payable	178,020
Intergovernmental payable	58,150
Accrued interest payable	12,514
Long-term liabilities:	
Due within one year	660,669
Due in more than one year	5,355,155
Total liabilities	7,095,130
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	5,419,059
Payment in lieu of taxes levied for the next fiscal year	37,786
Total deferred inflows of resources	5,456,845
 Net position:	
Net investment in capital assets	9,248,878
Restricted for:	
Capital projects	410,556
Debt service	457,676
Other purposes	196,897
Unrestricted	7,399,051
Total net position	\$ 17,713,058

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 4,982,222	\$ 1,120,741	\$ 30,881	\$ -	\$ (3,830,600)
Special	1,325,227	13,150	196,907	-	(1,115,170)
Vocational	230,625	-	13,517	-	(217,108)
Other	467,530	-	-	-	(467,530)
Support services:					
Pupil	602,046	-	170,410	-	(431,636)
Instructional staff	345,040	6,956	-	-	(338,084)
Board of education	52,981	-	-	-	(52,981)
Administration	724,204	-	-	-	(724,204)
Fiscal	381,179	-	-	-	(381,179)
Operations and maintenance	1,413,374	16,088	-	4,722	(1,392,564)
Pupil transportation	610,045	-	23,033	-	(587,012)
Central	42,668	-	5,400	-	(37,268)
Operation of non-instructional services:					
Food service operations	277,109	151,812	112,693	-	(12,604)
Extracurricular activities	448,870	119,558	1,691	-	(327,621)
Interest and fiscal charges	234,093	-	-	-	(234,093)
Total governmental activities	<u>\$ 12,137,213</u>	<u>\$ 1,428,305</u>	<u>\$ 554,532</u>	<u>\$ 4,722</u>	<u>(10,149,654)</u>

General revenues:

Property taxes levied for:	
General purposes	6,403,396
Debt service	693,999
Capital outlay	304,936
Payments in lieu of taxes	111,324
Grants and entitlements not restricted to specific programs	3,478,584
Investment earnings	50,959
Miscellaneous	<u>63,646</u>
Total general revenues	<u>11,106,844</u>
Change in net position	957,190
Net position at beginning of year	<u>16,755,868</u>
Net position at end of year	<u>\$ 17,713,058</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 7,473,437	\$ 558,366	\$ 562,770	\$ 8,594,573
Receivables:				
Property taxes	6,203,760	602,645	293,628	7,100,033
Payment in lieu of taxes	80,739	9,205	3,504	93,448
Accounts	26,401		-	26,401
Accrued interest	10,861		211	11,072
Intergovernmental	9,854		-	9,854
Prepayments	29,602		-	29,602
Materials and supplies inventory	-		231	231
Inventory held for resale	2,286		6,857	9,143
Total assets	<u>\$ 13,836,940</u>	<u>\$ 1,170,216</u>	<u>\$ 867,201</u>	<u>\$ 15,874,357</u>
Liabilities:				
Accounts payable	\$ 38,926	\$ -	\$ 4,359	\$ 43,285
Accrued wages and benefits payable	773,159	-	14,178	787,337
Intergovernmental payable	57,425	-	725	58,150
Pension obligation payable	171,599	-	6,421	178,020
Total liabilities	<u>1,041,109</u>	<u>-</u>	<u>25,683</u>	<u>1,066,792</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	4,734,927	460,242	223,890	5,419,059
Delinquent property tax revenue not available	179,485	15,083	8,037	202,605
Accrued interest not available	7,925	-	154	8,079
Other nonexchange transactions not available	9,383	-	-	9,383
Miscellaneous revenue not available	23,548	-	-	23,548
Payment in lieu of taxes levied for the next fiscal year	31,438	5,089	1,259	37,786
Total deferred inflows of resources	<u>4,986,706</u>	<u>480,414</u>	<u>233,340</u>	<u>5,700,460</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	231	231
Prepays	29,602	-	-	29,602
Restricted:				
Debt service	-	689,802	-	689,802
Capital improvements	-	-	402,519	402,519
Food service operations	-	-	130,820	130,820
Other purposes	-	-	10,876	10,876
Extracurricular activities	-	-	67,460	67,460
Committed:				
Termination benefits	142,022	-	-	142,022
Assigned:				
Student instruction	24,849	-	-	24,849
Student and staff support	162,873	-	-	162,873
Subsequent year's appropriations	2,232,309	-	-	2,232,309
Unassigned (deficit)	5,217,470	-	(3,728)	5,213,742
Total fund balances	<u>7,809,125</u>	<u>689,802</u>	<u>608,178</u>	<u>9,107,105</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,836,940</u>	<u>\$ 1,170,216</u>	<u>\$ 867,201</u>	<u>\$ 15,874,357</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$	9,107,105
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			13,963,888
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	202,605	
Accounts receivable		23,077	
Accrued interest receivable		8,079	
Intergovernmental receivable		9,854	
Total		243,615	243,615
Unamortized premiums on bonds issued are not recognized in the funds.			(531,798)
Unamortized amounts on refundings are not recognized in the funds.			426,788
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(12,514)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(4,844,695)	
Compensated absences		(639,331)	
Total		(5,484,026)	(5,484,026)
Net position of governmental activities		<u>\$</u>	<u>17,713,058</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 6,481,895	\$ 712,192	\$ 308,889	\$ 7,502,976
Payment in lieu of taxes	98,602	8,233	4,489	111,324
Tuition	1,098,231	-	-	1,098,231
Earnings on investments	49,222	-	891	50,113
Charges for services	-	-	151,812	151,812
Extracurricular	27,103	-	115,499	142,602
Classroom materials and fees	63,095	-	-	63,095
Contributions and donations	41,336	-	5,622	46,958
Contract services	1,088	-	-	1,088
Other local revenues	22,310	-	1,065	23,375
Intergovernmental - state	3,215,623	302,972	113,993	3,632,588
Intergovernmental - federal	11,671	-	377,330	389,001
Total revenues	<u>11,110,176</u>	<u>1,023,397</u>	<u>1,079,590</u>	<u>13,213,163</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,797,845	-	117,569	4,915,414
Special	1,260,820	-	85,730	1,346,550
Vocational	223,480	-	-	223,480
Other	467,530	-	-	467,530
Support services:				
Pupil	410,539	-	170,410	580,949
Instructional staff	358,860	-	-	358,860
Board of education	52,981	-	-	52,981
Administration	707,658	-	-	707,658
Fiscal	359,971	12,870	5,260	378,101
Operations and maintenance	1,172,627	-	205,015	1,377,642
Pupil transportation	529,128	-	17,166	546,294
Central	42,672	-	-	42,672
Operation of non-instructional services:				
Food service operations	-	-	256,069	256,069
Extracurricular activities	297,008	-	106,075	403,083
Facilities acquisition and construction	-	-	367,894	367,894
Debt service:				
Principal retirement	-	925,000	-	925,000
Interest and fiscal charges	-	167,246	-	167,246
Total expenditures	<u>10,681,119</u>	<u>1,105,116</u>	<u>1,331,188</u>	<u>13,117,423</u>
Excess (deficiency) of revenues over (under) expenditures	<u>429,057</u>	<u>(81,719)</u>	<u>(251,598)</u>	<u>95,740</u>
Other financing sources:				
Sale of capital assets	<u>34,604</u>	<u>-</u>	<u>-</u>	<u>34,604</u>
Net change in fund balances	463,661	(81,719)	(251,598)	130,344
Fund balances at beginning of year	<u>7,345,464</u>	<u>771,521</u>	<u>859,776</u>	<u>8,976,761</u>
Fund balances at end of year	<u>\$ 7,809,125</u>	<u>\$ 689,802</u>	<u>\$ 608,178</u>	<u>\$ 9,107,105</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED, JUNE 30, 2014

Net change in fund balances - total governmental funds	\$	130,344
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 436,079	
Current year depreciation	(335,116)	
Total		100,963
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(430)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(100,645)	
Earnings on investments	1,772	
Classroom materials and fees	(2,096)	
Other local revenues	(10,142)	
Intergovernmental	9,107	
Total		(102,004)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		925,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Accrued interest payable	2,271	
Accreted interest on capital appreciation bonds	(90,188)	
Amortization of bond premiums	106,706	
Amortization of deferred charges	(85,636)	
Total		(66,847)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(29,836)
Change in net position of governmental activities	\$	957,190

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 4,910,417	\$ 6,044,661	\$ 6,024,547	\$ (20,114)
Payment in lieu of taxes.	90,000	98,286	98,286	-
Tuition.	780,897	1,017,886	1,101,196	83,310
Earnings on investments	29,221	39,685	42,125	2,440
Classroom materials and fees	-	64,805	62,043	(2,762)
Contributions and donations	7,993	39,666	30,495	(9,171)
Other local revenues	5,455	15,464	16,737	1,273
Intergovernmental - state	2,544,056	3,201,526	3,216,407	14,881
Intergovernmental - federal	3,860	11,803	11,671	(132)
Total revenues	<u>8,371,899</u>	<u>10,533,782</u>	<u>10,603,507</u>	<u>69,725</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,123,959	4,800,355	4,743,173	57,182
Special.	845,322	1,270,021	1,250,323	19,698
Vocational.	164,472	226,986	224,155	2,831
Other.	462,583	474,161	467,484	6,677
Support services:				
Pupil.	316,925	411,759	408,181	3,578
Instructional staff	234,384	362,642	353,026	9,616
Board of education	45,681	77,705	71,280	6,425
Administration.	626,546	737,563	705,295	32,268
Fiscal	323,583	379,277	369,637	9,640
Business	1,081,322	-	-	-
Operations and maintenance.	-	1,361,587	1,315,353	46,234
Pupil transportation	459,678	569,414	563,462	5,952
Central.	45,792	44,708	43,304	1,404
Extracurricular activities.	237,739	267,701	263,550	4,151
Total expenditures	<u>8,967,986</u>	<u>10,983,879</u>	<u>10,778,223</u>	<u>205,656</u>
Excess of expenditures over revenues.	<u>(596,087)</u>	<u>(450,097)</u>	<u>(174,716)</u>	<u>275,381</u>
Other financing sources (uses):				
Refund of prior year's expenditures	3,015	53,015	51,067	(1,948)
Transfers in	50,000	43,929	43,929	-
Transfers (out).	-	(41,800)	(41,711)	89
Sale of capital assets	7,353	35,829	34,604	(1,225)
Total other financing sources (uses)	<u>60,368</u>	<u>90,973</u>	<u>87,889</u>	<u>(3,084)</u>
Net change in fund balance	(535,719)	(359,124)	(86,827)	272,297
Fund balance at beginning of year (restated)	7,103,124	7,103,124	7,103,124	-
Prior year encumbrances appropriated	86,287	86,287	86,287	-
Fund balance at end of year	<u>\$ 6,653,692</u>	<u>\$ 6,830,287</u>	<u>\$ 7,102,584</u>	<u>\$ 272,297</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2014

	Agency
Assets:	
Equity in pooled cash and investments	\$ 20,743
Receivables:	
Accounts	745
Total assets.	\$ 21,488
Liabilities:	
Due to students.	\$ 21,488

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District was established in 1936. The School District serves an area of approximately forty-eight square miles. It is located in Hancock County and includes all of the Village of Van Buren and Allen Township and portions of Cass, Marion, and Portage Townships. The School District is the 459th largest in the State of Ohio (among 1,001 school districts and community schools) in terms of enrollment. It is staffed by 46 classified employees, 69 certified teaching personnel, and 10 administrative employees who provide services to 1,034 students and other community members. The School District currently operates an elementary school and a middle/high school.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Van Buren Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

B. Basis of Presentation

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

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

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

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

C. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2014. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

D. Measurement Focus

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Basis of Accounting

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

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the School District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the School District that is applicable to a future reporting period.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

Expenses/Expenditures - On the accrual basis, expenses are recognized at the time they are incurred.

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

F. Budgetary Process

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Cash and Investments

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

During fiscal year 2014, the School District invested in negotiable certificates of deposit, Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities and a governmental money market. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the general fund during fiscal year 2014 was \$49,222, which includes \$8,099 assigned from other School District funds.

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed. On the fund financial statements, reported payments are equally offset by a nonspendable fund balance which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

I. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies, custodial supplies, donated and purchased food, and workbooks. On the fund financial statements, reported materials and supplies inventory is equally offset by a nonspendable fund balance which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

J. Capital Assets

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

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

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land improvements	10 - 30 years
Buildings and building improvements	6 - 107 years
Furniture, Fixtures and equipment	5 - 25 years
Vehicles	5 - 15 years

K. Deferred Charge on Refunding

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

L. Compensated Absences

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

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

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Unamortized Premiums

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

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

O. Net Position

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

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

P. Fund Balance

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

Q. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

For fiscal year 2014, the School District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title I	\$ 140
Title II-A	3,588

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2013 is as follows:

Budgetary Basis

	<u>General Fund</u>
Balance at June 30, 2013	\$ 7,377,422
Funds budgeted elsewhere	<u>(274,298)</u>
Restated balance at July 1, 2013	<u><u>\$ 7,103,124</u></u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies may be deposited or invested in the following securities:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

A. Cash on Hand

At fiscal year end, the School District had \$3,100 in undeposited cash on hand which is included on the financial statements of the School District as part of "equity in pooled cash and investments".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

B. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all School District deposits was \$3,554,458. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, \$3,189,365 of the School District’s bank balance of \$3,689,727 was exposed to custodial risk as discussed below, while \$500,362 was covered by the FDIC.

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

C. Investments

As of June 30, 2014, the School District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 252,900	\$ -	\$ -	\$ -	\$ 252,900	\$ -
FHLB	750,898	-	250,440	-	-	500,458
FHLMC	999,363	-	250,720	-	-	748,643
Negotiable CD's	3,007,088	500,603	-	753,032	-	1,753,453
Governmental money market	47,509	47,509	-	-	-	-
Total	\$ 5,057,758	\$ 548,112	\$ 501,160	\$ 753,032	\$ 252,900	\$ 3,002,554

The weighted average maturity of investments is 2.42 years.

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

Credit Risk: The School District’s investments in federal agency securities were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Standard & Poor’s has assigned STAR Ohio and the governmental money market an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard rating service. The School District’s investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

Concentration of Credit Risk: The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 252,900	5.00
FHLB	750,898	14.85
FHLMC	999,363	19.76
Negotiable CD's	3,007,088	59.45
Governmental money market	<u>47,509</u>	<u>0.94</u>
Total	<u>\$ 5,057,758</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,554,458
Investments	5,057,758
Cash on hand	<u>3,100</u>
Total	<u>\$ 8,615,316</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 8,594,573
Agency funds	<u>20,743</u>
Total	<u>\$ 8,615,316</u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2014 consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees) accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 5 - RECEIVABLES (Continued)

Governmental activities:	
Property taxes	\$ 7,100,033
Accounts	26,401
Intergovernmental	9,854
Accrued interest	11,072
Payments in lieu of taxes	<u>93,448</u>
Total	<u>\$ 7,240,808</u>

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The 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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$1,289,348 in the general fund, \$127,320 in the bond retirement fund and \$61,701 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$832,000 in the general fund, \$121,000 in the bond retirement fund and \$41,000 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 6 - PROPERTY TAXES (Continued)

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 217,550,490	96.34	\$ 225,771,590	96.62
Public utility personal	<u>8,271,030</u>	<u>3.66</u>	<u>7,887,240</u>	<u>3.38</u>
Total	<u>\$ 225,821,520</u>	<u>100.00</u>	<u>\$ 233,658,830</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$34.34		\$32.88	
Bond	5.30		5.30	
Permanent improvement	1.50		1.50	

NOTE 7 - PAYMENT IN LIEU OF TAXES

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/14</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 168,329	\$ 366,000	\$ -	\$ 534,329
<i>Capital assets, being depreciated:</i>				
Land improvements	997,290	-	-	997,290
Buildings and improvements	15,133,685	45,708	-	15,179,393
Furniture, fixtures and equipment	865,181	24,371	(21,127)	868,425
Vehicles	<u>1,265,197</u>	<u>-</u>	<u>(56,940)</u>	<u>1,208,257</u>
Total capital assets, being depreciated	<u>18,261,353</u>	<u>70,079</u>	<u>(78,067)</u>	<u>18,253,365</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(321,954)	(44,715)	-	(366,669)
Buildings and improvements	(2,889,065)	(189,747)	-	(3,078,812)
Furniture, fixtures and equipment	(547,454)	(42,815)	20,697	(569,572)
Vehicles	<u>(807,854)</u>	<u>(57,839)</u>	<u>56,940</u>	<u>(808,753)</u>
Total accumulated depreciation	<u>(4,566,327)</u>	<u>(335,116)</u>	<u>77,637</u>	<u>(4,823,806)</u>
Governmental activities capital assets, net	<u>\$ 13,863,355</u>	<u>\$ 100,963</u>	<u>\$ (430)</u>	<u>\$ 13,963,888</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 135,174
Special	11,498
Vocational	6,227
<u>Support services:</u>	
Pupil	1,392
Instructional staff	4,988
Administration	10,297
Fiscal	3,058
Operations and maintenance	38,784
Pupil transportation	61,144
Other non-instructional services	
Food service operations	16,767
Extracurricular activities	<u>45,787</u>
Total depreciation expense	<u>\$ 335,116</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 9 - LONG-TERM OBLIGATIONS

During the fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>07/01/13</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/14</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds					
2010 School Facilities Construction and Improvement Refunding					
Serial Bonds 2.0-5.0%	\$ 5,460,000	\$ -	\$ (925,000)	\$ 4,535,000	\$ 650,000
Capital Appreciation Bonds	75,000	-	-	75,000	-
Accretion on Capital Appreciation Bonds	144,507	90,188	-	234,695	-
Premium	638,504	-	(106,706)	531,798	-
Total General Obligation Bonds	<u>6,318,011</u>	<u>90,188</u>	<u>(1,031,706)</u>	<u>5,376,493</u>	<u>650,000</u>
Compensated Absences Payable	<u>609,495</u>	<u>131,365</u>	<u>(101,529)</u>	<u>639,331</u>	<u>10,669</u>
Total Governmental Activities Long-Term Obligations	<u>\$ 6,927,506</u>	<u>\$ 221,553</u>	<u>\$ (1,133,235)</u>	<u>\$ 6,015,824</u>	<u>\$ 660,669</u>

School Facilities Construction and Improvement Refunding Bonds FY2010 - On May 5, 2010, the School District issued \$6,240,000 in general obligation bonds to refund bonds previously issued for constructing a building addition. The bond issue includes serial and capital appreciation bonds, in the original amount of \$6,165,000 and \$75,000, respectively. The bonds were issued for an eleven year period, with final maturity in fiscal year 2021. The bonds are being retired through the Bond Retirement debt service fund.

None of the refunding bonds, including the capital appreciation bonds, are subject to redemption prior to maturity. The capital appreciation bonds will mature on December 1, 2016, in the amount of \$710,000. For fiscal year 2014, \$90,188 was accreted on the capital appreciation bonds for a total outstanding bond value of the capital appreciation bonds of \$309,695 at fiscal year end.

At June 30, 2014, \$5,590,000 of the refunded bonds was still outstanding.

Compensated absences will be paid from the general fund.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2014, were as follows:

Fiscal Year <u>Ending June 30.</u>	<u>General Obligation Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Accretion</u>	<u>Total</u>
2015	\$ 650,000	\$ 149,271	\$ 799,271	\$ -	\$ -	\$ -
2016	685,000	132,223	817,223	-	-	-
2017	-	122,976	122,976	75,000	635,000	710,000
2018	740,000	110,951	850,951	-	-	-
2019	775,000	85,848	860,848	-	-	-
2020 - 2021	1,685,000	79,635	1,764,635	-	-	-
Total	<u>\$ 4,535,000</u>	<u>\$ 680,904</u>	<u>\$ 5,215,904</u>	<u>\$ 75,000</u>	<u>\$ 635,000</u>	<u>\$ 710,000</u>

The District's overall debt margin was \$17,109,097 with an unvoted debt margin of \$233,659 at June 30, 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 10 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (86,827)
Net adjustment for revenue accruals	460,091
Net adjustment for expenditure accruals	17,509
Net adjustment for other sources/uses	(51,068)
Funds budgeted elsewhere	(25,311)
Adjustment for encumbrances	149,267
GAAP basis	<u>\$ 463,661</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 11 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	174,347
Current year offsets	<u>(361,864)</u>
Total	<u>\$ (187,517)</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

NOTE 12 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted for the following insurance coverage:

Coverage provided by the Argonaut Insurance Company is as follows:

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining 0.09 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$173,486, \$181,441 and \$139,845, respectively; 85.52 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 13 - PENSION PLANS (Continued)

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$570,270, \$513,826 and \$522,201, respectively; 82.11 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$38,117 made by the School District and \$29,949 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 three members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$23,720, \$2,216 and \$6,056, respectively; 85.52 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$10,065, \$10,249 and \$8,259, respectively; 85.52 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The School District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy -Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$43,867, \$41,671 and \$41,376, respectively; 82.11 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 15 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood Counties, and the Cities of St. Marys and Wapakoneta. The organization was founded for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2014, the School District paid \$28,238 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Career and Technology Center

The Millstream Career and Technology Center (Center) is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Center provides vocational instruction to students. The Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Treasurers from the Hancock and Putnam County Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District, 1100 Broad Avenue, Findlay Ohio 45840.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools, and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. During fiscal year 2014, the School District paid \$320 to the NOERC. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., 441 East Market Street, Celina, Ohio, 45822.

NOTE 17 - INSURANCE POOLS

A. Hancock County Schools Health Benefit Fund

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

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Fund is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Neace Lukens, 285 Cozzins Street, Columbus, Ohio 43215.

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(continued)**

NOTE 18 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

B. Litigation

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

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Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren Local School District, Hancock County, Ohio (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 15, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

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Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

April 15, 2015

**VAN BUREN LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2013-001	State ex rel McClure v. Hagerman (1951), 155 Ohio St. 320 The Treasurer was overpaid.	Yes	
2013-002	State ex rel McClure v. Hagerman (1951), 155 Ohio St. 320 Superintendent was reimbursed for an alcoholic beverage.	Yes	
2013-003	Ohio Rev. Code § 3313.12 Board members were overpaid.	Yes	.
2013-004	State ex rel McClure v. Hagerman (1951), 155 Ohio St. 320 The Treasurer was reimbursed for either overstated or misstated employee expenses.	Yes	.
2013-005	Significant deficiency due to an excessive number of issued credit cards.	No	Partially corrected - Repeated in the Management Letter.
2013-006	Significant deficiency due to Treasurer and Superintendent reviewing their own travel and other employee reimbursement records.	Yes	
2013-007	Significant deficiency because Board did not receive detailed information of the credit card expenditures.	Yes	.
2013-008	Significant deficiency due to mistakes made on Treasurer's travel reimbursement forms.	Yes	.

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Dave Yost • Auditor of State

VAN BUREN LOCAL SCHOOL DISTRICT

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 7, 2015**