



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Liberty-Benton Local School District  
Hancock County  
9190 County Road 9  
Findlay, Ohio 45840-8811

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Liberty-Benton Local School District (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Liberty-Benton Local School District, Hancock County, as of June 30, 2000, and the results of its operations and the cash flows of its enterprise fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

December 12, 2001

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**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,129,191	\$163,307	\$283,865	\$497,185
Cash and Cash Equivalents with Fiscal Agent		6,952		
Receivables:				
Property Taxes	3,098,522		641,814	
Income Taxes	307,896			
Accounts	2,940	93		
Intergovernmental	1,000			
Accrued Interest	51,008			
Prepaid Items	38,453			
Inventory Held for Resale				
Materials and Supplies Inventory	6,692			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	171,676			
Fixed Assets (net, where applicable, of accumulated depreciation)				
<b>Other Debits:</b>				
Amount Available in Special Revenue				
Fund for Payment of Termination Benefits				
Amount Available in Debt Service Fund for				
Retirement of General Obligation Debt				
Amount to be Provided from				
General Governmental Resources				
<b>Total Assets and Other Debits</b>	<b>\$6,807,378</b>	<b>\$170,352</b>	<b>\$925,679</b>	<b>\$497,185</b>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$56,531	\$37,818			\$4,167,897 6,952
				3,740,336
				307,896
356				3,389
5,351				6,351
				51,008
782				39,235
9,672				9,672
988				7,680
				171,676
100,506		\$16,544,139		16,644,645
			\$90,037	90,037
			318,600	318,600
			7,155,253	7,155,253
<b>\$174,186</b>	<b>\$37,818</b>	<b>\$16,544,139</b>	<b>\$7,563,890</b>	<b>\$32,720,627</b>

(Continued)

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2000  
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$8,629			
Contracts Payable				\$112,204
Retainage Payable	8,289			5,344
Accrued Wages and Benefits	550,233	\$2,033		
Compensated Absences Payable	6,910			
Intergovernmental Payable	111,927	182		
Deferred Revenue	2,943,257		\$607,079	
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	3,629,245	2,215	607,079	117,548
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved (Deficit)				
Fund Balance:				
Reserved for Property Taxes	155,265		34,735	
Reserved for Inventory	6,692			
Reserved for Capital Improvements	53,239			
Reserved for Budget Stabilization	118,437			
Reserved for Encumbrances	407,153	1,819		69,842
Designated for Textbooks	18,112			
Designated for Capital Improvements	294,830			
Designated for Budget Stabilization	10,767			
Designated for Termination Benefits		90,037		
Unreserved, Undesignated	2,113,638	76,281	283,865	309,795
Total Fund Equity and Other Credits	3,178,133	168,137	318,600	379,637
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$6,807,378</b>	<b>\$170,352</b>	<b>\$925,679</b>	<b>\$497,185</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
				\$8,629
				112,204
				13,633
\$17,986				570,252
			\$445,521	452,431
15,880			65,193	193,182
7,615				3,557,951
	\$37,001			37,001
			7,053,176	7,053,176
41,481	37,001		7,563,890	11,998,459
137,418		\$16,544,139		16,544,139
(4,713)				137,418
				(4,713)
				190,000
				6,692
				53,239
				118,437
				478,814
				18,112
				294,830
				10,767
				90,037
	817			2,784,396
132,705	817	16,544,139		20,722,168
<b>\$174,186</b>	<b>\$37,818</b>	<b>\$16,544,139</b>	<b>\$7,563,890</b>	<b>\$32,720,627</b>

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
All Governmental and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2000**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
Property Taxes	\$3,175,434	
Income Taxes	866,277	
Intergovernmental	3,602,847	\$103,170
Interest	228,283	
Tuition and Fees	69,218	
Extracurricular Activities		74,909
Gifts and Donations		375
Miscellaneous	41,810	7,691
Total Revenues	<u>7,983,869</u>	<u>186,145</u>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	3,151,100	45,493
Special	483,418	5,419
Vocational	331,121	1,490
Adult/Continuing	630	
Other	218,618	
Support Services:		
Pupils	327,026	24,086
Instructional Staff	242,155	37,879
Board of Education	10,308	
Administration	494,821	14,440
Fiscal	198,526	370
Business	1,518	
Operation and Maintenance of Plant	639,879	
Pupil Transportation	407,444	
Central	66,138	5,000
Non-Instructional Services		2,063
Extracurricular Activities	156,750	66,047
Capital Outlay	75,862	
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	<u>6,805,314</u>	<u>202,287</u>
Excess of Revenues Over (Under) Expenditures	<u>1,178,555</u>	<u>(16,142)</u>
<b>Other Financing Sources (Uses):</b>		
Operating Transfers In		61,209
Operating Transfers Out	(319,828)	
Total Other Financing Sources (Uses)	<u>(319,828)</u>	<u>61,209</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	858,727	45,067
Fund Balances at Beginning of Year	2,319,383	123,070
Increase in Reserve for Inventory	23	
<b>Fund Balances at End of Year</b>	<b><u>\$3,178,133</u></b>	<b><u>\$168,137</u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$663,225			\$3,838,659
			866,277
67,572	\$50,060		3,823,649
			228,283
			69,218
			74,909
		\$1,200	1,575
			49,501
<u>730,797</u>	<u>50,060</u>	<u>1,200</u>	<u>8,952,071</u>
			3,196,593
			488,837
			332,611
			630
			218,618
	1,961		351,112
			281,995
			10,308
13,665			509,261
			212,561
			1,518
			639,879
			407,444
			71,138
		600	2,663
			222,797
	166,230		242,092
420,000			420,000
276,272			276,272
<u>709,937</u>	<u>168,191</u>	<u>600</u>	<u>7,886,329</u>
<u>20,860</u>	<u>(118,131)</u>	<u>600</u>	<u>1,065,742</u>
	258,619		319,828
			(319,828)
	<u>258,619</u>		
20,860	140,488	600	1,065,742
297,740	239,149	217	2,979,559
			23
<u><b>\$318,600</b></u>	<u><b>\$379,637</b></u>	<u><b>\$817</b></u>	<u><b>\$4,045,324</b></u>

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2000**

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property Taxes	\$3,049,083	\$3,203,672	\$154,589
Income Taxes	838,696	835,270	(3,426)
Intergovernmental	3,198,997	3,604,197	405,200
Interest	173,972	192,091	18,119
Tuition and Fees	67,815	69,136	1,321
Extracurricular Activities			
Gifts and Donations			
Miscellaneous	34,000	37,756	3,756
Total Revenues	<u>7,362,563</u>	<u>7,942,122</u>	<u>579,559</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	3,321,276	3,140,158	181,118
Special	496,015	485,261	10,754
Vocational	388,316	372,675	15,641
Adult/Continuing	630	630	
Other	230,893	218,618	12,275
Support Services:			
Pupils	334,060	322,387	11,673
Instructional Staff	271,178	242,615	28,563
Board of Education	10,418	9,874	544
Administration	527,655	498,306	29,349
Fiscal	210,609	200,903	9,706
Business	1,800	1,518	282
Operation and Maintenance of Plant	781,706	698,754	82,952
Pupil Transportation	433,827	405,826	28,001
Central	72,891	69,745	3,146
Non-Instructional Services			
Extracurricular Activities	168,380	156,363	12,017
Capital Outlay	416,461	383,438	33,023
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>7,666,115</u>	<u>7,207,071</u>	<u>459,044</u>
Excess of Revenues Over (Under) Expenditures	<u>(303,552)</u>	<u>735,051</u>	<u>1,038,603</u>
<b>Other Financing Sources (Uses):</b>			
Refund of Prior Year Expenditures		3,765	3,765
Refund of Prior Year Receipts			
Other Financing Sources	350	289	(61)
Operating Transfers In			
Operating Transfers Out	(319,828)	(319,828)	
Total Other Financing Sources (Uses)	<u>(319,478)</u>	<u>(315,774)</u>	<u>3,704</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(623,030)</u>	<u>419,277</u>	<u>1,042,307</u>
Fund Balances at Beginning of Year	2,401,298	2,401,298	
Prior Year Encumbrances Appropriated	84,326	84,326	
<b>Fund Balances at End of Year</b>	<b><u>\$1,862,594</u></b>	<b><u>\$2,904,901</u></b>	<b><u>\$1,042,307</u></b>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$661,635	\$673,987	\$12,352
\$37,461	\$39,951	\$2,490	63,015	67,572	4,557
86,000	76,404	(9,596)			
2,250	375	(1,875)			
6,500	7,691	1,191			
132,211	124,421	(7,790)	724,650	741,559	16,909
40,009	37,460	2,549			
1,599	223	1,376			
2,000	1,490	510			
17,549	14,672	2,877			
10,251	9,026	1,225			
			14,250	13,665	585
5,000	5,000				
2,000	2,000				
86,930	67,962	18,968			
			420,000	420,000	
			276,272	276,272	
165,338	137,833	27,505	710,522	709,937	585
(33,127)	(13,412)	19,715	14,128	31,622	17,494
	497	497			
61,209	61,209				
61,209	61,706	497			
28,082	48,294	20,212	14,128	31,622	17,494
97,137	97,137		252,243	252,243	
16,057	16,057				
<b>\$141,276</b>	<b>\$161,488</b>	<b>\$20,212</b>	<b>\$266,371</b>	<b>\$283,865</b>	<b>\$17,494</b>

(Continued)

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

	<b>Capital Projects Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property Taxes			
Income Taxes			
Intergovernmental		\$50,060	\$50,060
Interest			
Tuition and Fees			
Extracurricular Activities			
Gifts and Donations			
Miscellaneous			
Total Revenues		50,060	50,060
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Adult/Continuing			
Other			
Support Services:			
Pupils			
Instructional Staff	\$7,733	6,111	1,622
Board of Education			
Administration			
Fiscal			
Business	1,208	1,208	
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular Activities			
Capital Outlay	225,977	225,252	725
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	234,918	232,571	2,347
Excess of Revenues Over (Under) Expenditures	(234,918)	(182,511)	52,407
<b>Other Financing Sources (Uses):</b>			
Refund of Prior Year Expenditures			
Refund of Prior Year Receipts		(800)	(800)
Other Financing Sources			
Operating Transfers In		258,619	258,619
Operating Transfers Out			
Total Other Financing Sources (Uses)		257,819	257,819
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(234,918)	75,308	310,226
Fund Balances at Beginning of Year	233,891	233,891	
Prior Year Encumbrances Appropriated	5,940	5,940	
<b>Fund Balances at End of Year</b>	<b>\$4,913</b>	<b>\$315,139</b>	<b>\$310,226</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$3,710,718	\$3,877,659	\$166,941
			838,696	835,270	(3,426)
			3,299,473	3,761,780	462,307
			173,972	192,091	18,119
			67,815	69,136	1,321
			86,000	76,404	(9,596)
\$1,200	\$1,200		3,450	1,575	(1,875)
			40,500	45,447	4,947
1,200	1,200		8,220,624	8,859,362	638,738
			3,361,285	3,177,618	183,667
			497,614	485,484	12,130
			390,316	374,165	16,151
			630	630	
			230,893	218,618	12,275
			334,060	322,387	11,673
			296,460	263,398	33,062
			10,418	9,874	544
			537,906	507,332	30,574
			224,859	214,568	10,291
			3,008	2,726	282
			781,706	698,754	82,952
			433,827	405,826	28,001
1,200	600	\$600	79,091	75,345	3,746
			2,000	2,000	
			255,310	224,325	30,985
			642,438	608,690	33,748
			420,000	420,000	
			276,272	276,272	
1,200	600	600	8,778,093	8,288,012	490,081
	600	600	(557,469)	571,350	1,128,819
				4,262	4,262
				(800)	(800)
			350	289	(61)
			61,209	319,828	258,619
			(319,828)	(319,828)	
			(258,269)	3,751	262,020
	600	600	(815,738)	575,101	1,390,839
217	217		2,984,786	2,984,786	
			106,323	106,323	
<b>\$217</b>	<b>\$817</b>	<b>\$600</b>	<b>\$2,275,371</b>	<b>\$3,666,210</b>	<b>\$1,390,839</b>

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Revenues, Expenses, and Changes in Fund Equity  
Enterprise Fund  
For the Fiscal Year Ended June 30, 2000**

<b>Operating Revenues:</b>	
Sales	\$239,240
<b>Operating Expenses:</b>	
Salaries	111,561
Fringe Benefits	30,277
Purchased Services	12,538
Materials and Supplies	850
Cost of Sales	138,388
Depreciation	15,984
Total Operating Expenses	309,598
Operating Loss	(70,358)
<b>Non-Operating Revenues:</b>	
Federal Donated Commodities	29,272
Operating Grants	42,513
Interest	505
Total Non-Operating Revenues	72,290
Net Income	1,932
Retained Earnings (Deficit) at Beginning of Year	(6,645)
Retained Earnings (Deficit) at End of Year	(4,713)
Contributed Capital at Beginning of Year	129,231
Contributions from Other Funds	8,187
Contributed Capital at End of Year	137,418
<b>Total Fund Equity at End of Year</b>	<b>\$132,705</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Basis)  
Enterprise Fund  
For the Fiscal Year Ended June 30, 2000**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Sales	\$215,175	\$239,012	\$23,837
Operating Grants	40,235	42,453	2,218
Interest		505	505
	<hr/>	<hr/>	<hr/>
Total Revenues	255,410	281,970	26,560
<b>Expenses:</b>			
Salaries	115,227	110,703	4,524
Fringe Benefits	31,530	30,056	1,474
Purchased Services	16,450	12,767	3,683
Materials and Supplies	116,000	110,013	5,987
Capital Outlay	2,250		2,250
	<hr/>	<hr/>	<hr/>
Total Expenses	281,457	263,539	17,918
Excess of Revenues Over (Under) Expenses	(26,047)	18,431	44,478
Fund Balance at Beginning of Year	37,621	37,621	
Prior Year Encumbrances Appropriated	250	250	
	<hr/>	<hr/>	<hr/>
<b>Fund Balance at End of Year</b>	<b><u><u>\$11,824</u></u></b>	<b><u><u>\$56,302</u></u></b>	<b><u><u>\$44,478</u></u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Cash Flows  
Enterprise Fund  
For the Fiscal Year Ended June 30, 2000**

**Increase (Decrease) in Cash and Cash Equivalents**

<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$239,012
Cash Payments for Salaries	(110,703)
Cash Payments for Fringe Benefits	(30,056)
Cash Payments to Suppliers for Goods and Services	(122,551)
Net Cash Used for Operating Activities	(24,298)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Cash Received from Operating Grants	42,453
<u>Cash Flows from Investing Activities:</u>	
Cash Received from Interest	505
Net Increase in Cash and Cash Equivalents	18,660
Cash and Cash Equivalents at Beginning of Year	37,871
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$56,531</b>

**Reconciliation of Operating Loss to Net**

<b>Cash Used for Operating Activities:</b>	
Operating Loss	(\$70,358)
Adjustments to Reconcile Operating Loss to Net	
<u>Cash Used for Operating Activities</u>	
Depreciation	15,984
Donated Commodities Used During Year	29,272
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(228)
Increase in Prepaid Items	(18)
Decrease in Inventory Held for Resale	56
Increase in Materials and Supplies Inventory	(103)
Increase in Accrued Wages and Benefits	887
Increase in Intergovernmental Payable	210
<b>Net Cash Used for Operating Activities</b>	<b>(\$24,298)</b>

**Non-Cash Capital Transactions:**

During fiscal year 2000, the Food Service enterprise fund received fixed assets that were purchased in the School District's governmental funds, in the amount of \$8,187.

*The notes to the general-purpose financial statements are an integral part of this statement.*

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000**

**NOTE 1 - REPORTING ENTITY**

Liberty-Benton 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 statute and/or federal guidelines.

The School District was established in 1954 through the consolidation of existing land areas and the Benton Ridge School and the Liberty Township School. It is located in Hancock County and includes all of the Village of Benton Ridge, and part of Blanchard, Eagle, and Liberty Townships. The School District is the 424th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by sixty-two classified employees, eighty-five certified teaching personnel, and five administrative employees who provide services to 1,279 students and other community members. The School District currently operates two instructional buildings.

**Reporting Entity:**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that 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 Liberty-Benton Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District is associated with five jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative (NOACSC), Millstream Cooperative Vocational Career Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., Ohio Schools Council Association, Hancock County Schools Health Benefit Fund and Trust, and the NOACSC Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 16 and 17 to the combined financial statements.

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

The financial statements of Liberty-Benton Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
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enterprise fund provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation - Fund Accounting**

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

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

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

*GOVERNMENTAL FUND TYPES:*

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

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

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

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

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

*PROPRIETARY FUND TYPE:*

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

*Enterprise Fund* - The enterprise fund is used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
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financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

***FIDUCIARY FUND TYPES:***

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, nonexpendable trust, and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The School District did not have any nonexpendable trust funds in fiscal year 2000. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

***ACCOUNT GROUPS:***

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

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

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

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
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liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, grants, interest, tuition, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the enterprise fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue

**C. Budgetary Process**

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

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

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

*Tax Budget:*

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

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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

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

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2000.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

*Encumbrances:*

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

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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

*Lapsing of Appropriations:*

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

**D. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents held for the School District by the Hancock County Educational Service Center are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2000, investments were limited to mutual funds, federal agency securities, and STAR Ohio. Repurchase agreements are reported at cost. Mutual funds and federal agency securities are reported at fair value, which is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2000 was \$228,283, which included \$45,720 assigned from other School District funds.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**F. Inventory**

Inventory in governmental funds is stated at cost while inventory in the enterprise fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory in the enterprise fund consists of donated and purchased food and is expensed when used.

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by State statute to be set aside to create a reserve for capital improvements and budget stabilization.

**H. Fixed Assets and Depreciation**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to the enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

**I. Compensated Absences**

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

**J. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. In general, payments made more than sixty days after fiscal year end are not considered to have been paid using current available expendable resources. Bonds are reported as a liability in the general long-term obligations account group until due.

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

**K. Contributed Capital**

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

Because the School District had not prepared financial statements in accordance with generally accepted accounting principles prior to fiscal year 1995, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise fund have been classified as retained earnings.

**L. Fund Balance Reserves and Designations**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designations for textbooks, capital improvements, and budget stabilization represent revenues set aside that exceed statutorily required amounts. The designation for termination benefits represents monies set aside by the Board of Education for the future payment of those benefits.

**M. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

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HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

**Entitlements**

*General Fund*

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

**Non-Reimbursable Grants**

*Special Revenue Funds*

- Professional Development
- Vocational Education
- Education Management Information Systems
- SchoolNet Professional Development
- Ohio Reads
- Safe School Helpline
- Eisenhower
- Title VI-B
- Carl D. Perkins Vocational Education
- Title I
- Title VI
- Drug Free
- Early Childhood Preschool
- Title VI-R Classroom Reduction

*Capital Projects Funds*

- Vocational Education Equipment
- SchoolNet/SchoolNet Plus

**Reimbursable Grants**

*General Fund*

- Driver Education

*Special Revenue Fund*

- E-Rate

*Enterprise Fund*

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements were 42 percent of the revenues of the School District's governmental fund types during the 2000 fiscal year.

**N. Interfund Transactions**

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

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

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

**O. Use of Estimates**

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

**P. Total Columns on General-Purpose Financial Statements**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2000, the Title VI-R Classroom Reduction special revenue fund had a deficit fund balance of \$2,100, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Food Service enterprise fund had deficit retained earnings of \$4,713 at June 30, 2000, as a result of accumulated operating losses from prior years.

**B. Compliance**

The Permanent Improvement capital projects fund refund of prior year receipts account had expenditures in excess of appropriations for the fiscal year ended June 30, 2000, in the amount of \$800.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure in the enterprise fund (GAAP basis).
4. Although not part of the appropriated budget the Eisenhower, Title VI-B, Drug Free, and Early Childhood Preschool special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$858,727	\$45,067	\$20,860	\$140,488
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 1999, Received in Cash FY 2000	465,521	2,085	45,497	
Accrued FY 2000, Not Yet Received in Cash	(518,109)	(93)	(34,735)	
Expenditure Accruals:				
Accrued FY 1999, Paid in Cash FY 2000	(676,931)	(629)		(682)
Accrued FY 2000, Not Yet Paid in Cash	685,988	2,215		117,548
Cash Adjustments:				
Unrecorded Activity FY 2000	14,895			
Prepaid Items	47			
Excess of Revenues Under Expenditures for Non-budgeted Funds		1,468		
Encumbrances Outstanding at Year End (Budget Basis)	(410,861)	(1,819)		(182,046)
Budget Basis	<u>\$419,277</u>	<u>\$48,294</u>	<u>\$31,622</u>	<u>\$75,308</u>

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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(Continued)**

Net Income/Excess of Revenues Over Expenses Enterprise Fund	
GAAP Basis	\$1,932
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 1999, Received in Cash FY 2000	5,419
Accrued FY 2000, Not Yet Received in Cash	(5,707)
Expense Accruals:	
Accrued FY 1999, Paid in Cash FY 2000	(32,769)
Accrued FY 2000, Not Yet Paid in Cash	33,866
Prepaid Items	(18)
Inventory Held for Resale	56
Materials and Supplies Inventory	(103)
Depreciation Expense	15,984
Encumbrances Outstanding at Year End (Budget Basis)	(229)
Budget Basis	\$18,431

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of 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.

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

At fiscal year end, the School District had \$413 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents". The School District had \$6,952 in cash and cash equivalents held by the Hancock County Educational Service Center which is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

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

At fiscal year end, the carrying amount of the School District's deposits was (\$47,098) and the bank balance was \$36,521. The entire bank balance was covered by federal depository insurance.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which

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the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Federal National Mortgage Association Notes	\$1,841,405	\$1,841,405	\$1,841,405
Federal Home Loan Bank Notes	1,017,088	1,017,088	1,017,088
Federal Home Loan Mortgage Corporation Notes	395,876	395,876	395,876
	<u>\$3,254,369</u>	<u>3,254,369</u>	<u>3,254,369</u>
STAR Ohio		1,078,931	1,078,931
Mutual Funds		52,958	52,958
Totals		<u>\$4,386,258</u>	<u>\$4,386,258</u>

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$4,346,525	
Cash on Hand	(413)	
Cash and Cash Equivalents with Educational Service Center	(6,952)	
Investments:		
Federal National Mortgage Association Notes	(1,841,405)	1,841,405
Federal Home Loan Bank Notes	(1,017,088)	1,017,088
Federal Home Loan Mortgage Corporation Notes	(395,876)	395,876
STAR Ohio	(1,078,931)	1,078,931
Mutual Funds	(52,958)	52,958
GASB Statement No. 3	<u>(\$47,098)</u>	<u>\$4,386,258</u>

**NOTE 6 - PROPERTY TAXES**

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

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Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2000 represent the collection of calendar year 1999 taxes. Real property taxes were levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. Tangible personal property taxes were levied after April 1, 1999, on the value as of December 31, 1999. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$155,265 in the General Fund and \$34,735 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 1999, was \$183,503 in the General Fund and \$45,497 in the Bond Retirement debt service fund.

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second - Half Collections		2000 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$69,669,620	61.28%	\$73,160,780	62.47%
Industrial/Commercial	16,954,940	14.91	17,135,120	14.63
Public Utility	6,258,480	5.50	6,575,560	5.61
Tangible Personal	20,824,658	18.31	20,256,842	17.29
Total Assessed Value	<u>\$113,707,698</u>	<u>100.00%</u>	<u>\$117,128,302</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$46.50		\$46.50	

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**NOTE 7 - INCOME TAXES**

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1995, and continues for eight years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2000, consisted of both property and income taxes, accounts (rent, billings for user charged services, and students fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Accounts receivable at June 30 were \$3,389. Intergovernmental receivables were recorded in the General Fund, in the amount of \$1,000, for driver education, and in the Food Service enterprise fund, in the amount of \$5,351, for the state and federal lunch program.

**NOTE 9 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$212,043
Less Accumulated Depreciation	<u>(111,537)</u>
Net Fixed Assets	<u><u>\$100,506</u></u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Land and Improvements	\$718,944	\$4,408		\$723,352
Buildings	11,840,616	117,576		11,958,192
Furniture and Equipment	2,619,716	108,939	4,408	2,724,247
Vehicles	968,592	57,552		1,026,144
Construction in Progress		112,204		112,204
<b>Total General Fixed Assets</b>	<u><u>\$16,147,868</u></u>	<u><u>\$400,679</u></u>	<u><u>\$4,408</u></u>	<u><u>\$16,544,139</u></u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted for the following insurance coverages:

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Coverages provided by Harcum-Hyre Insurance are as follows:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$19,698,300
Boiler and Machinery (\$1,000 deductible)	10,079,400
Employee Dishonesty - per loss (\$100 deductible)	10,000
Commercial Crime (\$100 deductible)	10,000
Hardware and Software (\$250 deductible)	668,701
Musical Equipment (\$250 deductible)	500,000
Photographic Equipment	136,431
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Medical Payments - per person	3,000

Coverages provided by Nationwide Insurance are as follows:

General School District Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000
Umbrella Liability Insurance	2,000,000

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

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

For fiscal year 2000, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

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

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$189,829, \$177,188, and \$293,102, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$30,842, is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.70 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$50,648, \$67,278, and \$75,130, respectively; 39 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$31,041, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2000, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$253,105 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$102,888 for fiscal year 2000.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators, who are not on a twelve month contract, do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred fifteen days

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for all employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of fifty-three and three-fourths days.

**B. Health Care Benefits**

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

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/99
School Improvement Refunding FY 1998 3.75-5.25%	\$7,188,399	\$284,777	\$420,000	\$7,053,176
Compensated Absences Payable	423,631	21,890		445,521
Intergovernmental Payable	69,014	65,193	69,014	65,193
Total General Long-Term Obligations	<u>\$7,681,044</u>	<u>\$371,860</u>	<u>\$489,014</u>	<u>\$7,563,890</u>

FY 1998 School Improvement Refunding Bonds - On April 1, 1998, the School District issued \$7,303,427 in voted general obligation bonds to pay notes, in the amount of \$700,000, and to refund bonds previously issued in 1994, in the amount of \$6,604,053, for construction, furnishing, and equipping a new high school and improvements to other School District buildings. The refunding bond issue includes serial, term, and capital appreciation bonds, in the amount of \$5,290,000, \$1,575,000, and \$438,427, respectively. The bonds were issued for a twenty-two year period, with final maturity during fiscal year 2020.

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2017 and 2018 (with the balance of \$510,000 to be paid at stated maturity on December 1, 2019), at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2017	\$520,000
2018	545,000

Term bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

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Serial bonds maturing on and after December 1, 2008, are also subject to prior redemption on or after December 1, 2008, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date and in integral multiples of \$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2008 through November 30, 2009	101 %
December 1, 2009 and thereafter	100

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2009 through 2016. The maturity amount of the bonds is \$4,560,000. For fiscal year 2000, \$284,777 was accreted on the capital appreciation bonds for a total outstanding bond value of \$7,053,176 at fiscal year end.

The school improvement refunding bonds defeased in-substance \$6,604,053 in school improvement general obligation bonds. At June 30, 2000, \$6,084,053 of this debt was still outstanding.

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

The School District's overall debt margin was \$3,806,971 with an unvoted debt margin of \$117,128 at June 30, 2000.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Interest	Total
	Serial	Term	Capital		
2001	\$435,000			\$259,274	\$694,274
2002	450,000			241,127	691,127
2003	470,000			221,920	691,920
2004	490,000			201,638	691,638
2005	510,000			180,260	690,260
2006-2010	2,045,000		185,754	580,877	2,811,631
2011-2015			692,653	393,750	1,086,403
2016-2020		1,575,000	199,769	275,125	2,049,894
Total	\$4,400,000	\$1,575,000	\$1,078,176	\$2,353,971	\$9,407,147

**NOTE 15 - RESERVATIONS OF FUND BALANCE**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year

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or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In addition, the School District is required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2000.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 1999			\$73,678
Current Year Set Aside Requirement	\$193,806	\$193,806	64,602
Current Year Offsets			(19,843)
Qualifying Expenditures	<u>(239,414)</u>	<u>(140,567)</u>	
Amount Carried Forward to Fiscal Year 2001	<u>(\$45,608)</u>	<u>\$53,239</u>	<u>\$118,437</u>
Set Aside Reserve Balance June 30, 2000	<u>                    </u>	<u>\$53,239</u>	<u>\$118,437</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The total reserve balance for set asides at the end of the fiscal year was \$171,676.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative (NOACSC)**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert Counties and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

**B. Millstream Cooperative Vocational Career Center**

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

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**C. Hancock County Local Professional Development Committee**

The Hancock County Local Professional Development Committee (HCLPDC) was established in 1999 to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The HCLPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The HCLPDC is governed by a thirteen member Executive Board. Financial information can be obtained from the Hancock County Educational Service Center, who serves as fiscal agent, 7746 County Road 140, Findlay, Ohio 45840.

**D. Ohio Schools Council Association**

The Ohio Schools Council Association (the Council) is a jointly governed organization among thirty-eight school districts, which was formed to purchase quality products and services at the lowest possible cost to participating school districts. The Council is governed by a board consisting of seven superintendents from the participating school districts. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained from the Ohio Schools Council Association, Albert Vasek, who serves as executive secretary, 155 Center Road, Bedford, Ohio 44146.

The School District participates in the Council's prepaid natural gas program. This program allows the School District to purchase natural gas at reduced rates if the School District commits to participating for a twelve year period. The School District makes monthly payments based on estimated usage. Each month the estimates are compared to actual usage and adjustments are made.

The City of Hamilton, Ohio, has issued \$89,450,000 in debt to purchase natural gas from CMS Energy Corporation for the participating school districts for the twelve year period. The participating school districts are not obligated in any manner for the debt. If a participating school district terminates its agreement, the school district is entitled to recover the amount of its contributions for its share of program administrative costs which had not been encumbered.

**E. Northwestern Ohio Educational Research Council, Inc.**

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

**NOTE 17 - INSURANCE POOLS**

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

The Hancock County Schools Health Benefit Fund and Trust (the Trust) is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The Trust is a Voluntary

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, vision and life insurance benefits to participants. The Administrative Committee of the Trust consists of the superintendent from each participating member. The Administrative Committee advises the trustee, Ohio Bank, concerning aspects of the administration of the Trust.

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

**B. NOACSC Workers' Compensation Group Rating Plan**

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

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

**NOTE 18 - STATE SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 12, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

**NOTE 19 - CONTINGENT LIABILITIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**B. Litigation**

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

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STATE OF OHIO  
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JIM PETRO, AUDITOR OF STATE

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

Liberty-Benton Local School District  
Hancock County  
9190 County Road 9  
Findlay, Ohio 45840-8811

To the Board of Education:

We have audited the financial statements of Liberty-Benton Local School District (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 12, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 12, 2001.

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

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

**Jim Petro**  
Auditor of State

December 12, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**LIBERTY-BENTON 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  
JANUARY 3, 2002**