



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, Hancock County, (the District) as of and for the year ended June 30, 2003, 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, 2003, 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 19, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Betty Montgomery
Auditor of State

December 19, 2003

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

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 4,862,967	\$ 160,432	\$ 333,498	\$ 352,438
Cash and Cash Equivalents with Fiscal Agent	-	9,168	-	-
Receivables:				
Property Taxes	3,388,291	-	641,929	-
Income Taxes	375,936	-	-	-
Accounts	7,993	-	-	-
Intergovernmental	13,672	11,419	316	-
Accrued Interest	10,683	-	-	-
Prepaid Items	66,422	-	-	-
Inventory Held for Resale	-	-	-	-
Materials and Supplies Inventory	5,569	-	-	-
Fixed Assets (net, where applicable, of accumulated depreciation)	-	-	-	-
Other Debits:				
Amount Available in Special Revenue				
Fund for Payment of Termination Benefits	-	-	-	-
Amount Available in Debt Service				
Fund for Retirement of General Long-Term Obligations	-	-	-	-
Amount to be Provided from General Governmental Resources	-	-	-	-
Total Assets and Other Debits	\$ 8,731,533	\$ 181,019	\$ 975,743	\$ 352,438

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$ 45,136	\$ 49,172	\$ -	\$ -	\$ 5,803,643
-	-	-	-	9,168
-	-	-	-	4,030,220
-	-	-	-	375,936
34	-	-	-	8,027
8,160	-	-	-	33,567
-	-	-	-	10,683
1,722	-	-	-	68,144
12,187	-	-	-	12,187
1,337	-	-	-	6,906
55,076	-	17,234,902	-	17,289,978
-	-	-	102,554	102,554
-	-	-	358,790	358,790
-	-	-	6,675,798	6,675,798
<u>\$ 123,652</u>	<u>\$ 49,172</u>	<u>\$ 17,234,902</u>	<u>\$ 7,137,142</u>	<u>\$ 34,785,601</u>

(Continued)

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

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2003
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY, AND OTHER CREDITS:				
Liabilities:				
Accounts Payable	\$ 32,411	\$ 562	\$ -	\$ -
Contracts Payable	119,228	-	-	160,004
Retainage Payable	-	-	-	14,066
Accrued Wages and Benefits	716,378	-	-	-
Compensated Absences Payable	29,702	-	-	-
Intergovernmental Payable	188,537	-	-	-
Deferred Revenue	3,346,599	1,549	616,953	-
Due to Students	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Total Liabilities	4,432,855	2,111	616,953	174,070
Fund Equity and Other Credits:				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings:				
Unreserved (Deficit)	-	-	-	-
Contributed Capital	-	-	-	-
Fund Balance:				
Reserved for Property Taxes	120,024	-	24,976	-
Reserved for Encumbrances	120,173	7,278	-	73,026
Unreserved, Designated for Termination Benefits	-	102,554	-	-
Unreserved, Undesignated	4,058,481	69,076	333,814	105,342
Total Fund Equity and Other Credits	4,298,678	178,908	358,790	178,368
Total Liabilities, Fund Equity, and Other Credits	\$ 8,731,533	\$ 181,019	\$ 975,743	\$ 352,438

See Accompanying Notes to the General-Purpose Financial Statements

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$ 666	\$ -	\$ -	\$ -	\$ 33,639
-	-	-	-	279,232
-	-	-	-	14,066
24,320	-	-	-	740,698
5,223	-	-	494,351	529,276
17,908	-	-	90,284	296,729
-	-	-	-	3,965,101
-	47,755	-	-	47,755
-	-	-	6,552,507	6,552,507
<u>48,117</u>	<u>47,755</u>	<u>-</u>	<u>7,137,142</u>	<u>12,459,003</u>
-	-	17,234,902	-	17,234,902
(85,449)	-	-	-	(85,449)
160,984	-	-	-	160,984
-	-	-	-	145,000
-	-	-	-	200,477
-	-	-	-	102,554
-	1,417	-	-	4,568,130
<u>75,535</u>	<u>1,417</u>	<u>17,234,902</u>	<u>-</u>	<u>22,326,598</u>
<u>\$ 123,652</u>	<u>\$ 49,172</u>	<u>\$ 17,234,902</u>	<u>\$ 7,137,142</u>	<u>\$ 34,785,601</u>

**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, 2003**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Property Taxes	\$ 3,298,696	\$ -
Income Taxes	939,535	-
Intergovernmental	4,667,590	252,205
Interest	150,456	-
Tuition and Fees	67,698	-
Extracurricular Activities	-	94,014
Gifts and Donations	-	1,757
Miscellaneous	63,676	30,716
Total Revenues	9,187,651	378,692
Expenditures:		
Current:		
Instruction:		
Regular	4,396,827	49,415
Special	591,619	80,626
Vocational	365,695	8,896
Adult/Continuing	560	-
Support Services:		
Pupils	453,474	31,154
Instructional Staff	486,340	106,754
Board of Education	13,614	-
Administration	624,529	15,381
Fiscal	207,149	-
Business	1,690	-
Operation and Maintenance of Plant	845,782	-
Pupil Transportation	434,142	-
Central	74,257	10,000
Extracurricular Activities	214,634	110,166
Capital Outlay	170,918	-
Debt Service:		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	8,881,230	412,392
Excess of Revenues Over (Under) Expenditures	306,421	(33,700)
Other Financing Sources (Uses):		
Operating Transfers In	649	17,451
Operating Transfers Out	(273,726)	(1,411)
Total Other Financing Sources (Uses)	(273,077)	16,040
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	33,344	(17,660)
Fund Balances at Beginning of Year	4,265,334	196,568
Fund Balances at End of Year	\$ 4,298,678	\$ 178,908

See Accompanying Notes to the General-Purpose Financial Statements

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>(Memorandum Only)</u>
\$ 627,722	\$ -	\$ -	\$ 3,926,418
-	-	-	939,535
68,816	499	-	4,989,110
-	-	-	150,456
-	-	-	67,698
-	-	-	94,014
-	14,473	1,200	17,430
-	-	-	94,392
<u>696,538</u>	<u>14,972</u>	<u>1,200</u>	<u>10,279,053</u>
-	-	-	4,446,242
-	-	-	672,245
-	-	-	374,591
-	-	-	560
-	-	-	484,628
-	-	-	593,094
-	-	-	13,614
-	-	-	639,910
12,376	-	-	219,525
-	-	-	1,690
-	-	-	845,782
-	-	-	434,142
-	-	-	84,257
-	-	-	324,800
-	432,900	-	603,818
470,000	-	-	470,000
221,920	-	-	221,920
<u>704,296</u>	<u>432,900</u>	<u>-</u>	<u>10,430,818</u>
<u>(7,758)</u>	<u>(417,928)</u>	<u>1,200</u>	<u>(151,765)</u>
-	257,037	-	275,137
-	-	-	(275,137)
-	<u>257,037</u>	-	-
(7,758)	(160,891)	1,200	(151,765)
366,548	339,259	217	5,167,926
<u>\$ 358,790</u>	<u>\$ 178,368</u>	<u>\$ 1,417</u>	<u>\$ 5,016,161</u>

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

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Basis) and Actual Comparison
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2003**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$ 3,764,702	\$ 3,367,577	\$ (397,125)
Income Taxes	1,304,850	975,337	(329,513)
Intergovernmental	3,979,629	4,667,093	687,464
Interest	215,311	232,104	16,793
Tuition and Fees	69,109	67,471	(1,638)
Extracurricular Activities	-	-	-
Gifts and Donations	-	-	-
Miscellaneous	28,539	27,488	(1,051)
Total Revenues	9,362,140	9,337,070	(25,070)
Expenditures:			
Current:			
Instruction:			
Regular	4,113,020	4,001,597	111,423
Special	672,269	596,939	75,330
Vocational	370,895	366,280	4,615
Adult/Continuing	800	560	240
Other	427,109	423,411	3,698
Support Services:			
Pupils	483,102	440,103	42,999
Instructional Staff	510,208	482,226	27,982
Board of Education	15,347	14,606	741
Administration	706,279	628,617	77,662
Fiscal	254,090	206,223	47,867
Business	1,811	1,628	183
Operation and Maintenance of Plant	896,752	875,512	21,240
Pupil Transportation	471,847	455,232	16,615
Central	87,089	72,278	14,811
Non-Instructional Services	-	-	-
Extracurricular Activities	218,821	210,897	7,924
Capital Outlay	173,200	170,918	2,282
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	9,402,639	8,947,027	455,612
Excess of Revenues Over (Under) Expenditures	(40,499)	390,043	430,542
Other Financing Sources (Uses):			
Sale of Fixed Assets	7,255	-	(7,255)
Other Financing Sources	292	330	38
Refund of Prior Year Expenditures	2,057	35,568	33,511
Operating Transfers In	-	-	-
Operating Transfers Out	(259,164)	(265,052)	(5,888)
Advances In	-	30,820	30,820
Advances Out	(7,680)	(820)	6,860
Total Other Financing Sources (Uses)	(257,240)	(199,154)	58,086
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(297,739)	190,889	488,628
Fund Balances at Beginning of Year	4,320,694	4,320,694	-
Prior Year Encumbrances Appropriated	85,963	85,963	-
Fund Balances at End of Year	\$ 4,108,918	\$ 4,597,546	\$ 488,628

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 636,374	\$ 642,841	\$ 6,467
-	-	-	-	-	-
161,496	126,194	(35,302)	65,021	68,749	3,728
-	-	-	-	-	-
-	-	-	-	-	-
80,386	94,829	14,443	-	-	-
54	1,757	1,703	-	-	-
14,053	17,666	3,613	-	-	-
<u>255,989</u>	<u>240,446</u>	<u>(15,543)</u>	<u>701,395</u>	<u>711,590</u>	<u>10,195</u>
68,200	48,561	19,639	-	-	-
59,194	53,372	5,822	-	-	-
11,588	10,688	900	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,755	5,339	416	-	-	-
65,518	53,902	11,616	-	-	-
-	-	-	-	-	-
13,350	13,266	84	-	-	-
-	-	-	13,900	12,376	1,524
-	-	-	-	-	-
-	-	-	-	-	-
10,000	10,000	-	-	-	-
-	-	-	-	-	-
119,871	119,403	468	-	-	-
-	-	-	-	-	-
-	-	-	470,000	470,000	-
-	-	-	244,500	221,920	22,580
<u>353,476</u>	<u>314,531</u>	<u>38,945</u>	<u>728,400</u>	<u>704,296</u>	<u>24,104</u>
<u>(97,487)</u>	<u>(74,085)</u>	<u>23,402</u>	<u>(27,005)</u>	<u>7,294</u>	<u>34,299</u>
-	-	-	-	-	-
-	13,000	13,000	-	-	-
-	50	50	-	-	-
46,308	8,777	(37,531)	-	-	-
(762)	(762)	-	-	-	-
-	820	820	-	-	-
<u>(30,820)</u>	<u>(30,820)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>14,726</u>	<u>(8,935)</u>	<u>(23,661)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(82,761)	(83,020)	(259)	(27,005)	7,294	34,299
205,854	205,854	-	326,204	326,204	-
29,774	29,774	-	-	-	-
<u>\$ 152,867</u>	<u>\$ 152,608</u>	<u>\$ (259)</u>	<u>\$ 299,199</u>	<u>\$ 333,498</u>	<u>\$ 34,299</u>

(Continued)

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

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Basis) and Actual Comparison
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2003
(Continued)**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$ -	\$ -	\$ -
Income Taxes	-	-	-
Intergovernmental	11,024	499	(10,525)
Interest	66	-	(66)
Tuition and Fees	-	-	-
Extracurricular Activities	-	-	-
Gifts and Donations	64,641	14,473	(50,168)
Miscellaneous	-	-	-
Total Revenues	75,731	14,972	(60,759)
Expenditures:			
Current:			
Instruction:			
Regular	-	-	-
Special	-	-	-
Vocational	1,020	524	496
Adult/Continuing	-	-	-
Other	-	-	-
Support Services:			
Pupils	-	-	-
Instructional Staff	10,708	-	10,708
Board of Education	-	-	-
Administration	-	-	-
Fiscal	-	-	-
Business	-	-	-
Operation and Maintenance of Plant	-	-	-
Pupil Transportation	-	-	-
Central	-	-	-
Non-Instructional Services	-	-	-
Extracurricular Activities	-	-	-
Capital Outlay	817,224	816,951	273
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	828,952	817,475	11,477
Excess of Revenues Over (Under) Expenditures	(753,221)	(802,503)	(49,282)
Other Financing Sources (Uses):			
Sale of Fixed Assets	-	-	-
Other Financing Sources	-	-	-
Refund of Prior Year Expenditures	-	-	-
Operating Transfers In	88,789	257,037	168,248
Operating Transfers Out	-	-	-
Advances In	-	-	-
Advances Out	-	-	-
Total Other Financing Sources (Uses)	88,789	257,037	168,248
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(664,432)	(545,466)	118,966
Fund Balances at Beginning of Year	198,425	198,425	-
Prior Year Encumbrances Appropriated	466,449	466,449	-
Fund Balances at End of Year	\$ 442	\$ 119,408	\$ 118,966

See Accompanying Notes to the General-Purpose Financial Statements

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 4,401,076	\$ 4,010,418	\$ (390,658)
-	-	-	1,304,850	975,337	(329,513)
-	-	-	4,217,170	4,862,535	645,365
-	-	-	215,377	232,104	16,727
-	-	-	69,109	67,471	(1,638)
-	-	-	80,386	94,829	14,443
1,200	1,200	-	65,895	17,430	(48,465)
-	-	-	42,592	45,154	2,562
<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>10,396,455</u>	<u>10,305,278</u>	<u>(91,177)</u>
-	-	-	4,181,220	4,050,158	131,062
-	-	-	731,463	650,311	81,152
-	-	-	383,503	377,492	6,011
-	-	-	800	560	240
-	-	-	427,109	423,411	3,698
-	-	-	488,857	445,442	43,415
-	-	-	586,434	536,128	50,306
-	-	-	15,347	14,606	741
-	-	-	719,629	641,883	77,746
-	-	-	267,990	218,599	49,391
-	-	-	1,811	1,628	183
-	-	-	896,752	875,512	21,240
-	-	-	471,847	455,232	16,615
-	-	-	97,089	82,278	14,811
1,200	-	1,200	1,200	-	1,200
-	-	-	338,692	330,300	8,392
-	-	-	990,424	987,869	2,555
-	-	-	470,000	470,000	-
-	-	-	244,500	221,920	22,580
<u>1,200</u>	<u>-</u>	<u>1,200</u>	<u>11,314,667</u>	<u>10,783,329</u>	<u>531,338</u>
<u>-</u>	<u>1,200</u>	<u>1,200</u>	<u>(918,212)</u>	<u>(478,051)</u>	<u>440,161</u>
-	-	-	7,255	-	(7,255)
-	-	-	292	13,330	13,038
-	-	-	2,057	35,618	33,561
-	-	-	135,097	265,814	130,717
-	-	-	(259,926)	(265,814)	(5,888)
-	-	-	-	31,640	31,640
-	-	-	(38,500)	(31,640)	6,860
-	-	-	(153,725)	48,948	202,673
-	1,200	1,200	(1,071,937)	(429,103)	642,834
217	217	-	5,051,394	5,051,394	-
-	-	-	582,186	582,186	-
<u>\$ 217</u>	<u>\$ 1,417</u>	<u>\$ 1,200</u>	<u>\$ 4,561,643</u>	<u>\$ 5,204,477</u>	<u>\$ 642,834</u>

**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, 2003**

Operating Revenues:	
Sales	\$ 292,541
	<hr/>
Operating Expenses:	
Salaries	144,028
Fringe Benefits	47,015
Purchased Services	11,708
Materials and Supplies	112
Cost of Sales	187,067
Depreciation	17,992
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Total Operating Expenses	407,922
	<hr/>
Operating Loss	(115,381)
	<hr/>
Non-Operating Revenues:	
Federal Donated Commodities	39,805
Operating Grants	59,153
	<hr/>
Total Non-Operating Revenues	98,958
	<hr/>
Net Loss	(16,423)
	<hr/>
Retained Earnings (Deficit) at Beginning of Year	(69,026)
	<hr/>
Retained Earnings (Deficit) at End of Year	(85,449)
	<hr/>
Contributed Capital at Beginning of Year and End of Year	160,984
	<hr/>
Total Fund Equity at End of Year	\$ 75,535
	<hr/> <hr/>

See Accompanying Notes to the General-Purpose Financial Statements

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

**Statement of Revenues, Expenses, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual Comparison
Enterprise Fund
For the Fiscal Year Ended June 30, 2003**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$ 274,707	\$ 292,507	\$ 17,800
Operating Grants	49,622	57,543	7,921
Total Revenues	<u>324,329</u>	<u>350,050</u>	<u>25,721</u>
Expenses:			
Salaries	153,927	143,309	10,618
Fringe Benefits	46,078	45,340	738
Purchased Services	15,844	17,944	(2,100)
Materials and Supplies	154,699	154,454	245
Total Expenses	<u>370,548</u>	<u>361,047</u>	<u>9,501</u>
Excess of Expenses Over Revenues	(46,219)	(10,997)	35,222
Fund Balance at Beginning of Year	45,519	45,519	-
Prior Year Encumbrances Appropriated	700	700	-
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ 35,222</u>	<u>\$ 35,222</u>

See Accompanying Notes to the General-Purpose Financial Statements

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

**Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2003**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 292,507
Cash Payments for Salaries	(143,309)
Cash Payments for Fringe Benefits	(45,340)
Cash Payments for Goods and Services	(162,484)
	(58,626)
Net Cash Used for Operating Activities	(58,626)

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	57,543
	57,543
Net Decrease in Cash and Cash Equivalents	(1,083)

Cash and Cash Equivalents at Beginning of Year	46,219
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Cash and Cash Equivalents at End of Year	\$ 45,136
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Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	\$ (115,381)
Adjustments to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	17,992
Donated Commodities Received During Year	39,805
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(34)
Increase in Prepaid Items	(202)
Decrease in Inventory Held for Resale	2,776
Increase in Materials and Supplies Inventory	(824)
Decrease in Accounts Payable	(6,069)
Increase in Accrued Wages and Benefits	906
Increase in Compensated Absences Payable	209
Increase in Intergovernmental Payable	2,196
	2,196

Net Cash Used for Operating Activities	\$ (58,626)
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Non-Cash Transactions

During fiscal year 2003, the Food Service enterprise fund received donated commodities, in the amount of \$39,805.

See Accompanying Notes to the General-Purpose Financial Statements

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

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003**

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 and 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 421st largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-two classified employees, one hundred one certified teaching personnel, and four administrative employees who provide services to 1,422 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 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 participates in seven 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, Ohio Schools Council Association, Northwestern Ohio Educational Research Council, Inc., West Central Regional Professional Development Center, Northwest Ohio Special Education Regional Resource Center, 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.

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

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

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the enterprise 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 major capital projects or expendable trusts) 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).

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

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

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 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. For the School District, these include expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. 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 this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into

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

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

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. The full accrual basis of accounting is followed for the enterprise fund.

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

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

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

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

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

C. Budgetary Process

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

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

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

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

Tax Budget

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

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

Estimated Resources

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

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

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

Appropriations

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

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

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

Encumbrances

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

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. 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 2003, investments included nonnegotiable certificates of deposit, federal agency securities, mutual funds, and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. Federal agency securities are reported at fair value, which is based on quoted market prices. Mutual funds are reported at fair value, which is based on current share

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

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

price. 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, 2003.

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2003 was \$150,456, which included \$24,810 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, and not purchased from the pool, are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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 is stated at cost on a first-in first-out basis and is expended/expensed when used. Inventory in the governmental funds consists of expendable supplies held for consumption. Inventory in the enterprise fund consists of donated and purchased food.

G. 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 fifteen 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.

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

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

H. Compensated Absences

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

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

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

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. 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.

J. Contributed Capital

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

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

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

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

K. 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 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 designation for termination benefits represents monies set aside by the Board of Education for the future payment of those benefits.

L. 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.

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

M. 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.

N. 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.

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The Food Service enterprise fund had deficit retained earnings of \$85,449 at June 30, 2003, as a result of accumulated operating losses from prior years.

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

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

B. Compliance

The following account had expenditures in excess of appropriations for the fiscal year ended June 30, 2003.

<u>Fund/Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund:			
Operating Transfers Out	<u>\$ 259,164</u>	<u>\$ 265,052</u>	<u>\$ 5,888</u>

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).
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.

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

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

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	\$ 33,344	\$ (17,660)	\$ (7,758)	\$ (160,891)
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 2002, Received in Cash FY 2003	632,463	5,915	40,344	-
Accrued FY 2003, Not Yet Received in Cash	(449,976)	(9,870)	(25,292)	-
Expenditure Accruals:				
Accrued FY 2002, Paid in Cash FY 2003	(857,145)	(25,974)	-	(325,615)
Accrued FY 2003, Not Yet Paid in Cash	1,086,256	562	-	174,070
Cash Adjustments:				
Unrecorded Activity FY 2002	832	-	-	-
Unrecorded Activity FY 2003	1,998	-	-	-
Prepaid Items	(20,049)	-	-	-
Materials and Supplies Inventory	585	-	-	-
Advances In	30,820	820	-	-
Advances Out	(820)	(30,820)	-	-
Excess Revenues Under Expenditures for Nonbudgeted Funds		1,831		
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(267,419)	(7,824)	-	(233,030)
Budget Basis	<u>\$ 190,889</u>	<u>\$ (83,020)</u>	<u>\$ 7,294</u>	<u>\$ (545,466)</u>

Net Loss/Excess of Revenues Under Expenses and Transfers
Enterprise Fund

GAAP Basis	\$ (16,423)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2002, Received in Cash FY 2003	6,550
Accrued FY 2003, Not Yet Received in Cash	(8,194)
Expense Accruals:	
Accrued FY 2002, Paid in Cash FY 2003	(50,875)
Accrued FY 2003, Not Yet Paid in Cash	48,117
Prepaid Items	(202)
Inventory Held for Resale	2,776
Materials and Supplies Inventory	(824)
Depreciation Expense	17,992
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(9,914)
Budget Basis	<u>\$ (10,997)</u>

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

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of 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.

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

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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 \$150 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 \$9,168 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 \$1,831,659 and the bank balance was \$1,875,094. Of the bank balance, \$212,928 was covered by federal depository insurance and \$1,662,166 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered 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. Mutual funds and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

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	<u>Category 2</u>	<u>Fair Value</u>
Federal Home Loan Mortgage Corporation Notes	\$ 250,821	\$ 250,821
Federal Home Loan Bank Notes	853,448	853,448
Federal National Mortgage Association Notes	899,553	899,553
Student Loan Marketing Association Notes	200,234	200,234
	<u>\$ 2,204,056</u>	2,204,056
Mutual Funds		310,483
STAR Ohio		1,457,295
Totals		<u>\$ 3,971,834</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	\$ 5,812,811	\$ -
Cash on Hand	(150)	-
Cash and Cash Equivalents with Educational Service Center	(9,168)	-
Investments:		
Federal Home Loan Mortgage Corporation Notes	(250,821)	250,821
Federal Home Loan Bank Notes	(853,448)	853,448
Federal National Mortgage Association Notes	(899,553)	899,553
Student Loan Marketing Association Notes	(200,234)	200,234
Mutual Funds	(310,483)	310,483
STAR Ohio	(1,457,295)	1,457,295
GASB Statement No. 3	<u>\$ 1,831,659</u>	<u>\$ 3,971,834</u>

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

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the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien on December 31, 2001, were levied after April 1, 2002, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2003, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$120,024 in the General Fund and \$24,976 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2002, was \$188,905 in the General Fund and \$40,095 in the Bond Retirement debt service fund.

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The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second - Half Collections		2003 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	82,716,230	64.15%	86,511,370	65.28%
Industrial/Commercial	17,903,610	13.89%	18,358,940	13.85%
Public Utility	5,629,790	4.37%	5,680,840	4.29%
Tangible Personal	22,681,632	17.59%	21,967,120	16.58%
Total Assessed Value	<u>\$ 128,931,262</u>	<u>100.00%</u>	<u>\$ 132,518,270</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.03		\$43.87	

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 was renewed in 2002, 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.

8. RECEIVABLES

Receivables at June 30, 2003, consisted of both property and income taxes, accounts (rent, billings for user charged services, and student 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 \$8,027.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund	
Homestead and Rollback	\$ 2,162
Tuition	11,510
Total General Fund	<u>13,672</u>
Special Revenue Funds	
Miscellaneous State Grants	2,900
Title I	8,519
Total Special Revenue Funds	<u>11,419</u>
Debt Service Fund	316
Enterprise Fund	
Food Service	<u>8,160</u>
Total Intergovernmental Receivables	<u>\$ 33,567</u>

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
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9. FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$ 190,877
Less Accumulated Depreciation	(135,801)
Net Fixed Assets	\$ 55,076

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03
Land and Improvements	\$ 975,474	\$ 422,411	\$ -	\$ 1,397,885
Buildings	12,629,813	475,788	-	13,105,601
Furniture and Equipment	1,273,154	71,056	-	1,344,210
Vehicles	1,049,728	-	-	1,049,728
Construction in Progress	323,980	337,478	323,980	337,478
Total General Fixed Assets	\$ 16,252,149	\$ 1,306,733	\$ 323,980	\$ 17,234,902

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 2003, the School District contracted for the following insurance coverage:

Coverage provided by Peerless Insurance Company is as follows:

Buildings, Contents, Boiler, and Machinery (\$2,500 deductible)	\$23,270,314
Sexual Misconduct	
Each Loss	1,000,000
Aggregate	1,000,000
Inland Marine	894,338
Employee Benefits	
Each Loss	1,000,000
Aggregate	3,000,000
General School District Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Stop Gap	
Per Occurrence	1,000,000
Aggregate	2,000,000
Errors and Omissions	
Per Occurrence	1,000,000
Aggregate	1,000,000

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Coverage provided by Indiana Insurance Company is as follows:

Automobile Liability	\$ 1,000,000
Uninsured Motorists	1,000,000
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 (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 2003, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each 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.

11. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions

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equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2003, 2002, and 2001, was \$516,916, \$357,776, and \$323,375, respectively; 84 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. Contributions for the DCP and CP for the fiscal year ended June 30, 2003, were \$11,043 made by the School District and \$18,716 made by plan members.

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2003 was 14 percent of annual covered payroll; 8.17 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, 2003, 2002, and 2001, were

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\$98,423, \$62,166, and \$42,036, respectively; 40 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2002, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$40,612.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000, and STRS had 105,300 eligible benefit recipients.

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

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$105,782 for fiscal year 2003.

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, 2002 (the latest information available), were \$182,946,777, and the target level was

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\$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers 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 for all employees, other than the superintendent, and two hundred forty days for the superintendent. 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 for all employees other than the superintendent, and sixty days for the superintendent.

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.

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03
School Improvement Refunding				
Bonds FY 1998 3.75-5.25%	\$ 6,737,730	\$ 284,777	\$ 470,000	\$ 6,552,507
Compensated Absences Payable	415,975	78,376	-	494,351
Intergovernmental Payable	73,947	90,284	73,947	90,284
Total General Long-Term Obligations	<u>\$ 7,227,652</u>	<u>\$ 453,437</u>	<u>\$ 543,947</u>	<u>\$ 7,137,142</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 constructing, 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.

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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.

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 2003, \$284,777 was accreted on the capital appreciation bonds for a total outstanding bond value of \$6,552,507 at fiscal year end.

The school improvement refunding bonds defeased in-substance \$6,604,053 in school improvement general obligation bonds. At June 30, 2003, \$5,529,053 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 \$5,732,927 with an unvoted debt margin of \$132,518 at June 30, 2003.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2003, were as follows:

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Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital	Interest	Total
2004	\$ 490,000	\$ -	\$ -	\$ 201,638	\$ 691,638
2005	510,000	-	-	180,260	690,260
2006	480,000	-	-	158,855	638,855
2007	500,000	-	-	137,415	637,415
2008	520,000	-	-	114,845	634,845
2009-2013	545,000	-	287,400	2,398,613	3,231,013
2014-2018	-	520,000	151,028	2,509,723	3,180,751
2019-2020	-	1,055,000	-	51,875	1,106,875
	<u>\$ 3,045,000</u>	<u>\$ 1,575,000</u>	<u>\$ 438,428</u>	<u>\$ 5,753,224</u>	<u>\$ 10,811,652</u>

15. SET ASIDE REQUIREMENTS

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2003.

	Textbooks	Capital Improvements
Balance June 30, 2002	\$ (232,931)	\$ -
Current Year Set Aside Requirement	174,683	174,683
Qualifying Expenditures	(311,632)	(174,683)
Amount Carried Forward to Fiscal Year 2004	<u>\$ (369,880)</u>	<u>\$ -</u>
Set Aside Reserve Balance June 30, 2003	<u>\$ -</u>	<u>\$ -</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.

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, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by

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For the Fiscal Year Ended June 30, 2003
(Continued)**

majority vote of all charter member school districts within each county. During fiscal year 2003, the School District paid \$4,792 to NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Cooperative Vocational Career Center

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

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 (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.

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

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

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.

F. West Central Regional Professional Development Center

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

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

G. Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is made up of school districts from Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties. The SERRC is governed by a thirty-three member board consisting of twenty-six superintendents, one director of student services, one parent representative, one representative from a community school, one representative from a mental health board, one representative from a parent advisory council, one representative from Bowling Green State University, and one representative from the University of Toledo. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from David Michel, Eastwood Local Schools, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

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

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

17. INSURANCE POOLS

A. Hancock County Schools Health Benefit Fund and Trust

The Hancock County Schools Health Benefit Fund and Trust (Trust) is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The Trust is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, vision, and life insurance benefits to participants. The Administrative Committee of the Trust consists of the superintendent from each participating member. The Administrative Committee advises the trustee, Sky Bank, concerning aspects of the administration of the Trust.

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

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 (Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool.

The Safety Coordinator 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.

18. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

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

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

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

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

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT 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, Hancock County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 19, 2003. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item number 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 19, 2003.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-002.

One Government Center / Room 1420 / Toledo, OH 43604-2246
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www.auditor.state.oh.us

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 19, 2003.

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

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

Betty Montgomery
Auditor of State

December 19, 2003

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Schedule of Findings
June 30, 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Finding for Recovery Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides, in general, that expenditures made by a governmental unit should serve a public purpose. The Spanish Club Advisor established two checking accounts, with out Board of Education knowledge or approval, to account for the fund raising activity and disbursements for a Spanish Club trip. In addition, to the disbursements for which the advisor had support for the payments made, there was \$955.59 paid from the account for personal expenses of the advisor and a \$600 overpayment on a hotel bill, for a total of \$1,555.59 in improper payments. During fiscal year 2004 the advisor reimbursed the account \$500 and on December 10, 2003 the District received a \$600 reimbursement from Hotels.com, leaving \$455.59 due the District.

Ohio Revised Code § 117.28 states that when an audit report sets forth that any public money has been illegally expended; the entity's legal counsel may institute civil action to recover the money illegally expended.

Based on the foregoing facts a finding for recovery for public money illegally expended is hereby returned against Patti Spiegel, Spanish Club Advisor, in the amount of \$455.59, in favor of the Spanish Club Fund.

This finding was repaid on December 17, 2003.

FINDING NUMBER 2003-002

Reportable Condition

Extracurricular Activities

The following deficiencies were found during the review of student managed and district managed extracurricular activities:

- Athletic season passes are not pre-numbered; the various amounts charged for passes was not Board approved; no listing is maintained of who receives complimentary passes; and, season pass sales per the seating charts are not reconciled to the season pass revenues.
- Records for the Spanish Club trip to Mexico did not include: Rosters supporting amounts paid by each student; documentation to support how credits given to students from fund raising activities were calculated; support for the number served at a Mexican dinner; reconciliation of estimated revenues to actual revenues for candy sales; invoices to support some of the expenses for the trip. In addition, the advisor established two bank accounts to account for the Club's activities; these accounts were not authorized by the Board of Education and not included on the District's Accounting System.
- Expenses for a Cross Country trip to Chicago were not reconciled to the revenues received for the trip. In addition, no records were maintained which included the cost assessed to each student and paying adults and how the expenses were paid.
- Sales project potential forms were not prepared for all student activity fund raisers.

FINDING NUMBER 2003-002
(Continued)

It is the responsibility of the advisor/director of each extracurricular activity to ensure records are maintained which fully support the activities of the group. Failure to account for all activity could result in loss of revenues to the District, with no means to detect such losses. To improve controls over extracurricular activities we recommend:

- Season passes be pre-numbered and a listing be maintained of the season passes sold, including name, ticket number, seat number, and amount paid
- A record be maintained of who receives complimentary passes/tickets.
- All amounts charged for season passes be approved by the Board of Education
- At the end of each sale of season passes the number of passes sold should be reconciled to the revenue received, unsold passes remaining and the number of passes sold per seating charts.
- Establishment of separate bank accounts by activity advisors should be strictly prohibited.
- Rosters are maintained for all participants of an activity, documenting how much is due from each individual, amounts received, and credits given for fund raising activities and how the credit was calculated, and any amounts to be repaid to the student.
- Records are maintained for all fund raisers reconciling the anticipated revenues, based on the amount of product ordered or tickets sold, to the amounts receipted on the District's records.
- No payments are made without an original invoice.
- Sales project potential forms are completed for all activities.

LIBERTY-BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

Schedule of Prior Audit Findings
June 30, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Establishing greater control and accountability over extracurricular activities.	No	The finding has not been corrected and is repeated in this report as finding number 2003-002.



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Betty Montgomery**

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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 20, 2004**