



**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Liberty Benton Local School District, Hancock County, (the District) as of and for the year ended June 30, 1998, 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 generally accepted auditing standards 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, 1998, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As described in note 3 to the general-purpose financial statements, during fiscal year 1998 the District changed its method of accounting for investments.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 1999, 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 14, 1999

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 1998**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,892,452	\$59,012	\$261,899	\$294,851
Cash and Cash Equivalents with Fiscal Agents		8,780		
Receivables:				
Property and Other Local Taxes	2,824,612		706,743	
Income Taxes	269,253			
Accounts Intergovernmental	2,066	594		
Inventory Held for Resale				
Materials and Supplies Inventory	6,376			
Prepaid Items	38,369			5,547
Funds on Deposit with Deferred Compensation Board				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	19,843			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	<u>\$5,052,971</u>	<u>\$68,386</u>	<u>\$968,642</u>	<u>\$300,398</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS:				
Liabilities:				
Accounts Payable	\$6,408	\$1,143		
Contracts Payable		\$10,467		\$23,871
Accrued Wages and Benefits	473,833			
Compensated Absences Payable	6,181			
Intergovernmental Payable	166,518			
Deferred Revenue	2,732,235		\$682,120	
Due to Students				
Deferred Compensation Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>3,385,175</u>	<u>11,610</u>	<u>682,120</u>	<u>23,871</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings				
Fund Balance:				
Reserved for Encumbrances	54,396	574		103,572
Reserved for Inventory	6,376			
Reserved for Property Taxes	92,377		24,623	
Reserved for Budget Stabilization	19,843			
Unreserved, Undesignated	1,494,804	56,202	261,899	172,955
Total Fund Equity and Other Credits	<u>1,667,796</u>	<u>56,776</u>	<u>286,522</u>	<u>276,527</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,052,971</u>	<u>\$68,386</u>	<u>\$968,642</u>	<u>\$300,398</u>

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$37,372	\$36,417			\$2,582,003 8,780
				3,531,355
				269,253
700				3,360
6,222				6,222
9,168				9,168
694				7,070
388				44,304
	13,496			13,496
				19,843
110,638		\$15,771,988		15,882,626
			\$286,522	286,522
			7,553,005	7,553,005
\$165,182	\$49,913	\$15,771,988	\$7,839,527	\$30,217,007
				\$7,551
				34,338
\$16,072				489,905
			\$399,931	406,112
15,795			65,974	248,287
7,363				3,421,718
	\$35,700			35,700
	13,496			13,496
			7,373,622	7,373,622
39,230	49,196		7,839,527	12,030,729
		\$15,771,988		15,771,988
129,231				129,231
(3,279)				(3,279)
				158,542
				6,376
				117,000
				19,843
	717			1,986,577
125,952	717	15,771,988		18,186,278
\$165,182	\$49,913	\$15,771,988	\$7,839,527	\$30,217,007

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Property and Other Local Taxes	\$2,829,696	
Income Taxes	742,444	
Intergovernmental	2,302,600	\$99,317
Interest	168,235	
Tuition and Fees	44,938	
Rent	1,515	
Extracurricular Activities		86,771
Gifts and Donations	400	5,479
Miscellaneous	59,456	5,465
	6,149,284	197,032
Expenditures:		
Current:		
Instruction:		
Regular	2,765,530	26,798
Special	213,499	17,944
Vocational	298,470	2,104
Adult/Continuing	280	
Other	13,990	
Support Services:		
Pupils	220,280	16,029
Instructional Staff	228,583	35,632
Board of Education	8,356	
Administration	471,327	14,178
Fiscal	231,696	150
Business	1,606	
Operation and Maintenance of Plant	649,101	
Pupil Transportation	428,560	
Central Services	61,960	4,973
Non-Instructional Services		62
Extracurricular Activities	141,426	84,778
Capital Outlay		800
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
	5,734,664	203,448
Excess of Revenues Over/(Under) Expenditures	414,620	(6,416)
Other Financing Sources (Uses):		
Proceeds from Sale of Bonds		
Payment to Refunded Bond Escrow Agent		
Operating Transfers In		
Operating Transfers Out	(298,435)	
	(298,435)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	116,185	(6,416)
Fund Balances at Beginning of Year	1,550,741	63,192
Increase in Reserve for Inventory	870	
Fund Balances at End of Year	\$1,667,796	\$56,776

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

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$674,448	\$29,947		\$3,534,091
			742,444
69,468	584		2,471,969
	1,329		169,564
			44,938
			1,515
			86,771
	800	\$1,250	7,929
24,335			89,256
<u>768,251</u>	<u>32,660</u>	<u>1,250</u>	<u>7,148,477</u>
			2,792,328
			231,443
			300,574
			280
			13,990
			236,309
	122,753		386,968
			8,356
			485,505
13,768			245,614
			1,606
			649,101
			428,560
			66,933
		1,600	1,662
			226,204
	72,155		72,955
210,000			210,000
<u>378,022</u>	<u>27,890</u>		<u>405,912</u>
<u>601,790</u>	<u>222,798</u>	<u>1,600</u>	<u>6,764,300</u>
<u>166,461</u>	<u>(190,138)</u>	<u>(350)</u>	<u>384,177</u>
8,295,073	700,000		8,995,073
(8,155,290)			(8,155,290)
	298,435		298,435
			(298,435)
<u>139,783</u>	<u>998,435</u>		<u>839,783</u>
306,244	808,297	(350)	1,223,960
(19,722)	(531,770)	1,067	1,063,508
			870
<u>\$286,522</u>	<u>\$276,527</u>	<u>\$717</u>	<u>\$2,288,338</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	Governmental Fund Types		
	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property and Other Local Taxes	\$2,807,807	\$2,807,807	
Income Taxes	729,497	729,497	
Intergovernmental	2,303,000	2,303,000	
Interest	173,119	173,094	(\$25)
Tuition and Fees	44,566	44,457	(109)
Rent	1,515	1,515	
Extracurricular Activities			
Gifts and Donations	400	400	
Miscellaneous	35,557	35,456	(101)
Total Revenues	<u>6,095,461</u>	<u>6,095,226</u>	<u>(235)</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,851,443	2,763,937	87,506
Special	235,821	210,177	25,644
Vocational	316,580	299,709	16,871
Adult/Continuing	280	280	
Other	16,750	13,990	2,760
Support Services:			
Pupils	233,357	218,381	14,976
Instructional Staff	244,365	230,690	13,675
Board of Education	9,500	8,365	1,135
Administration	518,720	477,488	41,232
Fiscal	249,022	234,139	14,883
Business	1,875	1,625	250
Operation and Maintenance of Plant	817,679	673,702	143,977
Pupil Transportation	475,207	432,141	43,066
Central Services	63,284	58,273	5,011
Non-Instructional Services			
Extracurricular Activities	161,803	140,079	21,724
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>6,195,686</u>	<u>5,762,976</u>	<u>432,710</u>
Excess Expenditures Over Revenues	<u>(100,225)</u>	<u>332,250</u>	<u>432,475</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Bonds			
Refund of Prior Year Expenditures	23,704	23,704	
Other Financing Sources	345	296	(49)
Advances In	44,951	44,951	
Advances Out	(6,717)	(6,717)	
Operating Transfers In			
Operating Transfers Out	(298,435)	(298,435)	
Total Other Financing Sources (Uses)	<u>(236,152)</u>	<u>(236,201)</u>	<u>(49)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(336,377)</u>	<u>96,049</u>	<u>432,426</u>
Fund Balances at Beginning of Year	1,632,110	1,632,110	
Prior Year Encumbrances Appropriated	127,696	127,696	
Fund Balances at End of Year	<u>\$1,423,429</u>	<u>\$1,855,855</u>	<u>\$432,426</u>

Governmental Fund Types

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$698,284	\$698,284	
\$49,510	\$49,510		69,468	69,468	
87,083	86,489	(\$594)			
5,479	5,479				
5,455	5,455				
<u>147,527</u>	<u>146,933</u>	<u>(594)</u>	<u>767,752</u>	<u>767,752</u>	
22,645	22,616	29			
11,738	11,738				
2,104	2,104				
17,456	17,394	62			
10,427	9,736	691	13,768	13,768	
5,000	5,000				
87,472	74,463	13,009			
11,069	11,069				
			910,626	7,514,053	(\$6,603,427)
			267,560	267,560	
<u>167,911</u>	<u>154,120</u>	<u>13,791</u>	<u>1,191,954</u>	<u>7,795,381</u>	<u>(6,603,427)</u>
<u>(20,384)</u>	<u>(7,187)</u>	<u>13,197</u>	<u>(424,202)</u>	<u>(7,027,629)</u>	<u>(6,603,427)</u>
10	10		700,000	7,303,427	6,603,427
			24,335	24,335	
			6,717	6,717	
			(44,951)	(44,951)	
<u>10</u>	<u>10</u>		<u>686,101</u>	<u>7,289,528</u>	<u>6,603,427</u>
(20,374)	(7,177)	13,197	261,899	261,899	
50,894	50,894				
3,752	3,752				
<u>\$34,272</u>	<u>\$47,469</u>	<u>\$13,197</u>	<u>\$261,899</u>	<u>\$261,899</u>	

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Continued)**

	Governmental Fund Types		
	Capital Projects Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Property and Other Local Taxes			
Income Taxes			
Intergovernmental	\$584	\$584	
Interest	1,329	1,329	
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations	800	800	
Miscellaneous			
Total Revenues	2,713	2,713	
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational	566		\$566
Adult/Continuing			
Other			
Support Services:			
Pupils			
Instructional Staff	127,922	123,096	4,826
Board of Education			
Administration			
Fiscal			
Business	1,208	1,208	
Operation and Maintenance of Plant	24,289	24,289	
Pupil Transportation	63,000	62,049	951
Central Services			
Non-Instructional Services			
Extracurricular Activities			
Capital Outlay	90,497	94,576	(4,079)
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	307,482	305,218	2,264
Excess Expenditures Over Revenues	(304,769)	(302,505)	2,264
Other Financing Sources (Uses):			
Proceeds from Sale of Bonds			
Refund of Prior Year Expenditures			
Other Financing Sources			
Advances In			
Advances Out			
Operating Transfers In	303,012	298,435	(4,577)
Operating Transfers Out			
Total Other Financing Sources (Uses)	303,012	298,435	(4,577)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,757)	(4,070)	(2,313)
Fund Balances at Beginning of Year	116,959	116,959	
Prior Year Encumbrances Appropriated	54,519	54,519	
Fund Balances at End of Year	\$169,721	\$167,408	(\$2,313)

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

Fiduciary Fund Type			Totals (Memorandum Only)		
Expendable Trust Fund					
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$3,506,091	\$3,506,091	
			729,497	729,497	
			2,422,562	2,422,562	
			174,448	174,423	(\$25)
			44,566	44,457	(109)
			1,515	1,515	
			87,083	86,489	(594)
\$1,250	\$1,250		7,929	7,929	
			41,012	40,911	(101)
<u>1,250</u>	<u>1,250</u>		<u>7,014,703</u>	<u>7,013,874</u>	<u>(829)</u>
			2,874,088	2,786,553	87,535
			247,559	221,915	25,644
			319,250	301,813	17,437
			280	280	
			16,750	13,990	2,760
			233,357	218,381	14,976
			389,743	371,180	18,563
			9,500	8,365	1,135
			529,147	487,224	41,923
			262,790	247,907	14,883
			3,083	2,833	250
			841,968	697,991	143,977
			538,207	494,190	44,017
			68,284	63,273	5,011
1,800	1,600	\$200	1,800	1,600	200
			249,275	214,542	34,733
			101,566	105,645	(4,079)
			910,626	7,514,053	(6,603,427)
			267,560	267,560	
<u>1,800</u>	<u>1,600</u>	<u>200</u>	<u>7,864,833</u>	<u>14,019,295</u>	<u>(6,154,462)</u>
<u>(550)</u>	<u>(350)</u>	<u>200</u>	<u>(850,130)</u>	<u>(7,005,421)</u>	<u>(6,155,291)</u>
			700,000	7,303,427	6,603,427
			23,714	23,714	
			24,680	24,631	(49)
			51,668	51,668	
			(51,668)	(51,668)	
			303,012	298,435	(4,577)
			(298,435)	(298,435)	
			<u>752,971</u>	<u>7,351,772</u>	<u>6,598,801</u>
(550)	(350)	200	(97,159)	346,351	443,510
1,067	1,067		1,801,030	1,801,030	
			185,967	185,967	
<u>\$517</u>	<u>\$717</u>	<u>\$200</u>	<u>\$1,889,838</u>	<u>\$2,333,348</u>	<u>\$443,510</u>

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND EQUITY - ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	<u>Enterprise</u>
Operating Revenues:	
Sales	<u>\$203,808</u>
Operating Expenses:	
Salaries and Wages	105,197
Fringe Benefits	24,420
Purchased Services	11,414
Materials and Supplies	6,471
Cost of Sales	108,312
Depreciation	<u>14,812</u>
Total Operating Expenses	<u>270,626</u>
Operating Loss	<u>(66,818)</u>
Non-Operating Revenues:	
Federal Donated Commodities	26,797
Operating Grants	<u>42,040</u>
Total Non-operating Revenues	<u>68,837</u>
Net Income	2,019
Retained Earnings (Deficit) at Beginning of Year	<u>(5,298)</u>
Retained Earnings (Deficit) at End of Year	(3,279)
Contributed Capital at Beginning and End of Year	<u>129,231</u>
Total Fund Equity at End of Year	<u><u>\$125,952</u></u>

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BASIS) - ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$203,336	\$203,336	
Operating Grants	41,393	41,393	
Total Revenues	<u>244,729</u>	<u>244,729</u>	
Expenses:			
Salaries	112,268	106,776	\$5,492
Fringe Benefits	29,884	24,084	5,800
Purchased Services	15,150	11,514	3,636
Materials and Supplies	104,000	88,055	15,945
Capital Outlay	5,000	1,995	3,005
Total Expenses	<u>266,302</u>	<u>232,424</u>	<u>33,878</u>
Excess of Expenses Over Revenues	(21,573)	12,305	33,878
Fund Balances at Beginning of Year	<u>25,067</u>	<u>25,067</u>	
Fund Balances at End of Year	<u><u>\$3,494</u></u>	<u><u>\$37,372</u></u>	<u><u>\$33,878</u></u>

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

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	<u>Enterprise</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$203,336
Cash Payments to Suppliers for Goods and Services	(99,569)
Cash Payments to Employees for Services	(106,776)
Cash Payments for Fringe Benefits	<u>(24,084)</u>
Net Cash Used for Operating Activities	<u>(27,093)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	41,393
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	<u>(1,995)</u>
Net Increase in Cash and Cash Equivalents	12,305
Cash and Cash Equivalents at Beginning of Year	<u>25,067</u>
Cash and Cash Equivalents at End of Year	<u><u>\$37,372</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$66,818)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Non-Operating Change in Accruals	
Depreciation	14,812
Donated Commodities Used During Year	26,797
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(472)
Decrease in Inventory Held for Resale	17
Increase in Materials and Supplies Inventory	(86)
Decrease in Prepaid Items	121
Decrease in Accounts Payable	(100)
Increase in Accrued Wages and Benefits	634
Decrease in Compensated Absences Payable	(2,313)
Increase in Intergovernmental Payable	<u>315</u>
Net Cash Used by Operating Activities	<u><u>(\$27,093)</u></u>

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE 1 - REPORTING ENTITY

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

The School District was established in 1954 through the consolidation of existing land areas and the Benton Ridge School and the Liberty Township School. It is located in Hancock County and includes all of the Village of Benton Ridge, and part of Blanchard, Eagle, and Liberty Townships. The School District is the 461st largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by sixty classified employees, eighty certified teaching personnel, and five administrative employees who provide services to 1,204 students and other community members. The School District currently operates two instructional buildings.

Reporting Entity

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

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

The School District is associated with two jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative (NOACSC), Blanchard Valley Cooperative Vocational Career 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 17 and 18 to the combined financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types

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

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

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

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

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

2. 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:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

2. Proprietary Fund Type (Continued)

Enterprise Fund - The enterprise fund is used to account for operations 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.

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, nonexpendable trust, and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The School District did not have any nonexpendable trust funds in fiscal year 1998. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. 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, other than those accounted for in proprietary funds or trust funds.

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

B. Measurement Focus and Basis of Accounting

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1998, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 1999 operations, have been recorded as deferred revenue.

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

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

C. Budgetary Process

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

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.

1. 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.

2. 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 is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1998.

3. 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 must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriation resolution was legally enacted; however, this amendment was not significant.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

3. Appropriations (Continued)

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

D. Cash and Investments

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

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

During fiscal year 1998, investments were limited to repurchase agreements and STAR Ohio. Repurchase agreements are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 1998.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1998 amounted to \$168,235, which includes \$43,322 assigned from other School District funds.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments (Continued)

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

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1998, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

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

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998, the School District received a \$19,843 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. This refund is presented as "Miscellaneous Revenue" in the accompanying financial statement. A fund balance reserve has also been established.

H. Fixed Assets and Depreciation

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

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

I. Compensated Absences

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

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

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

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and 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 financial resources. In general, payments made more than sixty days after fiscal year end are not considered to have been paid using current available financial resources. Bonds are reported as a liability of 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.

Under Ohio law, a debt service fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires reporting the liability in the fund that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Contributed Capital

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

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

L. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for 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 are established for property taxes, inventories of materials and supplies, budget stabilization, and encumbrances. The reservation for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

M. Intergovernmental Revenues

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

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

Entitlements

General Fund

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

Non-Reimbursable Grants

Special Revenue Funds

- Professional Development
- Vocational Education
- Education Management Information Systems
- Praxis III

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants (Continued)

Special Revenue Funds (Continued)

Eisenhower
Title VI-B
Title I
Title VI
Drug Free
Early Childhood Preschool

Capital Projects Funds

Vocational Educational Equipment
SchoolNet/SchoolNet Plus
Textbook/Instructional Materials

Reimbursable Grants

General Fund

Driver Education

Enterprise Fund

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 35 percent of the revenues of the School District's governmental fund types during the 1998 fiscal year.

N. Interfund Transactions

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

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

O. Use of Estimates

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

P. Total Columns on General-Purpose Financial Statements

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 1998, the School District has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". This statement established accounting and reporting guidelines for government investments and investment pools. Under this statement, certain investments at cost are reported at fair value. The implementation of GASB Statement No. 31 had no effect on fund balances/retained earnings as previously reported as of June 30, 1997.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The Food Service enterprise fund had deficit retained earnings of \$3,279 at June 30, 1998. This is the result of accumulated operating losses from prior years.

B. Compliance

The following accounts had expenditures in excess of appropriations for the fiscal year ended June 30, 1998.

<u>Fund Type/Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund:			
Support Services:			
Central			
Materials and Supplies	\$2,000	\$2,280	(\$280)
Debt Service Fund:			
Bond Retirement			
Debt Service	1,178,186	7,781,613	(6,603,427)
Capital Projects Fund:			
Building			
Capital Outlay			
Capital Outlay - New	3,793	8,528	(4,735)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Statement of Revenues, Expenses, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - Food Service 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).

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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. For the enterprise fund, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District repays short-term note debt from the Bond Retirement debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources have been allocated accordingly.
6. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
7. Although not part of the appropriated budget the Eisenhower, Title VI-B, Drug Free, and Early Childhood Preschool special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$116,185	(\$6,416)	\$306,244	\$808,297
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 1997, Received in Cash FY 1998	333,638	758	18,512	
Accrued FY 1998, Not Yet Received in Cash	(363,696)	(594)	(24,623)	
Expenditure Accruals:				
Accrued FY 1997, Paid in Cash FY 1998	(617,528)	(744)		(3,248)
Accrued FY 1998, Not Yet Paid in Cash	652,940	11,610		23,871
Prepaid Items	(7,284)			(5,547)
Note Principal Retirement			(700,000)	
Advances In	44,951		6,717	
Advances Out	(6,717)		(44,951)	
Reallocation of Financial Resources into Financial Statement Fund Types			700,000	(700,000)
Excess of Revenues Over Expenditures for Nonbudgeted Funds		(248)		
Encumbrances Outstanding at Year End (Budget Basis)	(56,440)	(11,543)		(127,443)
Budget Basis	\$96,049	(\$7,177)	\$261,899	(\$4,070)

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Income/Excess of Revenues Over Expenses Food Service Enterprise Fund	
GAAP Basis	\$2,019
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 1997, Received in Cash FY 1998	5,803
Accrued FY 1998, Not Yet Received in Cash	(6,922)
Expense Accruals:	
Accrued FY 1997, Paid in Cash FY 1998	(33,331)
Accrued FY 1998, Not Yet Paid in Cash	31,867
Prepaid Items	121
Inventory Held for Resale	17
Materials and Supplies Inventory	(86)
Acquisition of Fixed Assets	(1,995)
Depreciation Expense	14,812
Budget Basis	\$12,305

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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 that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

At fiscal year end, the School District had \$1,484 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 \$8,780 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 (\$970) and the bank balance was \$65,112. The entire bank balance was covered by federal depository insurance.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

The School District's investments are categorized below 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 or 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. STAR Ohio and deferred compensation are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase Agreements	<u>\$39,977</u>	\$39,977	\$39,983
STAR Ohio		2,561,355	2,561,355
Deferred Compensation		<u>13,496</u>	<u>13,496</u>
Totals		<u>\$2,614,828</u>	<u>\$2,614,834</u>

The classification of cash and cash equivalents and investments on the combined financial statements 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 financial statements 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	\$2,610,626	\$13,496
Cash on Hand	(1,484)	
Cash and Cash Equivalents with Educational Service Center	(8,780)	
Investments:		
Repurchase Agreements	(39,977)	39,977
STAR Ohio	<u>(2,561,355)</u>	<u>2,561,355</u>
GASB Statement No. 3	<u>(\$970)</u>	<u>\$2,614,828</u>

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. All property is required to be revalued every six years. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Public utility property taxes, attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 7 - PROPERTY TAXES (Continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1998, are available to finance fiscal year 1998 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of June 30, 1998. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1998, was \$92,377 in the General Fund and \$24,623 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 1997, was \$70,488 in the General Fund and \$18,512 in the Bond Retirement debt service fund.

The assessed values upon which fiscal year 1998 taxes were collected are:

	1997 Second - Half Collections		1998 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$57,279,180	60.00%	\$59,147,580	59.37%
Industrial/Commercial	15,876,160	16.63	15,381,370	15.44
Public Utility	6,078,880	6.37	6,250,530	6.27
Tangible Personal	16,224,146	17.00	18,854,199	18.92
Total Assessed Value	\$95,458,366	100.00%	\$99,633,679	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$46.00		 \$46.50	

NOTE 8 - INCOME TAXES

The School District levies a voted tax of 3/4 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1995, and will continue 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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 9 - RECEIVABLES

Receivables at June 30, 1998, consisted of both property and income taxes, accounts (rent, billings for user charged services, and students fees), and intergovernmental grants. 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.

The intergovernmental receivable in the Food Service enterprise fund, in the amount of \$6,222, is for the National School Lunch Program.

NOTE 10 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 1998, follows:

Furniture and Equipment	\$196,993
Less Accumulated Depreciation	<u>(86,355)</u>
Net Fixed Assets	<u><u>\$110,638</u></u>

A summary of the changes in general fixed assets during fiscal year 1998 follows:

Asset Category	Balance at 6/30/97	Additions	Deductions	Balance at 6/30/98
Land and Improvements	\$703,918			\$703,918
Buildings	11,686,747	\$55,019		11,741,766
Furniture and Equipment	2,190,364	255,441	\$15,004	2,430,801
Vehicles	828,369	107,285	40,151	895,503
Total General Fixed Assets	<u><u>\$15,409,398</u></u>	<u><u>\$417,745</u></u>	<u><u>\$55,155</u></u>	<u><u>\$15,771,988</u></u>

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1998, the School District contracted for the following insurance coverages:

Coverages provided by Harcum-Hyre Insurance are as follows:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$18,211,900
Boiler and Machinery (\$1,000 deductible)	9,318,900
Employee Dishonesty - per loss (\$100 deductible)	10,000
Commercial Crime (\$100 deductible)	10,000
Hardware and Software (\$250 deductible)	668,701
Musical Equipment (\$250 deductible)	188,606
Photographic Equipment	136,431
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Medical Payments - per person	3,000

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 11 - RISK MANAGEMENT (Continued)

Coverages provided by Nationwide Insurance are as follows:

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

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

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

For fiscal year 1998, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

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

NOTE 12 - 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

A. State Teachers Retirement System (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 1998, 1997, and 1996, were \$293,102, \$302,391, and \$272,669, respectively; 82.71 percent has been contributed for fiscal year 1998 and 100 percent for fiscal years 1997 and 1996. The unpaid contribution for fiscal year 1998, in the amount of \$50,667, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. 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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1998, 9.79 percent was the portion used to fund pension obligations. The contribution requirements of plan members 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, 1998, 1997, and 1996, were \$81,543, \$81,493, and \$75,503, respectively; 43.96 percent has been contributed for fiscal year 1998 and 100 percent for fiscal years 1997 and 1996. The unpaid contribution for fiscal year 1998, in the amount of \$45,696, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 1998, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - 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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the Board allocated employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the School District, this amount equaled \$97,701 during fiscal year 1998.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$1,860 million at June 30, 1997. For the fiscal year ended June 30, 1997, net health care costs paid by STRS were \$192,077,000, and STRS had 88,718 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 4.21 percent of covered payroll, an increase from 3.5 percent for fiscal year 1997. 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 1998, the minimum pay has been established at \$12,400. 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 125 percent of annual health care expenses. Expenses for health care at June 30, 1997 were \$97,429,197, and the target level was \$121.8 million. At June 30, 1997, SERS had net assets available for payment of health care benefits of \$146.4 million. SERS has approximately 48,200 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, was \$63,225 during the 1998 fiscal year.

NOTE 14 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components 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 the 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. 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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 14 - EMPLOYEE BENEFITS (Continued)

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.

C. Deferred Compensation

Liberty Benton Local School District employees can participate in a statewide deferred compensation plan that was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

All property rights purchased with the amounts of compensation deferred under the plan and deposited with the program, and all income attributable to the amounts, property, or rights are, until paid or made available to the employee or other beneficiary, solely the property and rights of the School District, without being restricted to the provisions of benefits under the plan, subject only to the claims of the School District's general creditors. Participants' rights under the plan are equal to those of general creditors of the School District in an amount equal to the fair market value of the deferred account for each participant. The plan agreement states that the School District and the Ohio Public Employees Deferred Compensation Board have no liability for losses under the plan with the exception of fraud or wrongful taking.

An agency fund has been established to account for these monies as prescribed by Governmental Accounting Standards Board Statement No. 2, "Financial Reporting of Deferred Compensation Plans Adopted Under the Provisions of Internal Revenue Code Section 457". As of June 30, 1998, the amount on deposit with the Ohio Public Employees Deferred Compensation Board was \$13,496, valued at market.

NOTE 15 - SHORT-TERM OBLIGATIONS

During fiscal year 1998, the School District retired bond anticipation notes, in the amount of \$700,000. The bonds had an interest rate of 4.29 percent. The bonds were retired through the Building Improvement capital projects fund.

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1998 were as follows:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

	<u>Balance at 6/30/97</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/98</u>
School Improvement Bonds FY 1994 4.88%	\$6,814,053		\$6,814,053	
School Improvement Refunding FY 1998 3.75-5.25%		\$7,373,622		\$7,373,622
Compensated Absences Payable	350,826	49,105		399,931
Intergovernmental Payable	<u>60,305</u>	<u>65,974</u>	<u>60,305</u>	<u>65,974</u>
Total General Long-Term Obligations	<u>\$7,225,184</u>	<u>\$7,488,701</u>	<u>\$6,874,358</u>	<u>\$7,839,527</u>

FY 1998 School Improvement Refunding Bonds

On April 1, 1998, the School District issued \$7,303,427 in voted general obligation bonds to pay notes, in the amount of \$700,000, and to refund bonds previously issued in 1994, in the amount of \$6,604,053, for construction, furnishing, and equipping a new high school and improvements to other School District buildings. The refunding bond issue included 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 fiscal year period, with final maturity during fiscal year 2020.

The net proceeds of the refunding bond issue, in the amount of \$6,463,644, plus the premium of \$1,691,646 were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series bonds. As a result, the 1994 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term obligations account group.

The School District advance refunded the 1994 Series bonds to reduce its total debt service payments over the next twenty-two year period by \$395,529 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$27,133.

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:

<u>Year</u>	<u>Amount</u>
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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

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 1998, \$70,195 was accreted on the capital appreciation bonds for a total outstanding bond value of \$7,373,622 at fiscal year end.

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

The School District's overall debt margin was \$1,855,596 with an unvoted debt margin of \$99,634 at June 30, 1998.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1998, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Interest	Total
	Serial	Term	Capital		
1999	\$470,000			\$293,275	\$763,275
2000	420,000			276,273	696,273
2001	435,000			259,274	694,274
2002	450,000			241,127	691,127
2003	470,000			221,920	691,920
2004-2008	2,500,000			793,013	3,293,013
2009-2013	545,000		\$326,183	406,013	1,277,196
2014-2018		\$520,000	182,439	380,750	1,083,189
2019-2020		1,055,000		51,875	1,106,875
	\$5,290,000	\$1,575,000	\$508,622	\$2,923,520	\$10,297,142

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative (NOACSC)

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

B. Blanchard Valley Cooperative Vocational Career Center

The Blanchard Valley Cooperative Vocational Career Center is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Career Center provides vocational instruction services 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 Putnam and Hancock 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, at 227 South West Street, Findlay, Ohio 45840-3377.

NOTE 18 - INSURANCE POOLS

A. Hancock County Schools Health Benefit Fund and Trust

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

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

B. NOACSC Workers' Compensation Group Rating Plan

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 18 - INSURANCE POOLS (Continued)

B. NOACSC Workers' Compensation Group Rating Plan (Continued)

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

NOTE 19 - SCHOOL FOUNDATION PROGRAM

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects of the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 1998, the School District received \$2,022,257 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State Legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Court of Common Pleas declared unconstitutional.

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

NOTE 20 - YEAR 2000 ISSUE

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the School District's operations as early as fiscal year 1999.

The School District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary for conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting.

The School District uses the State of Ohio Uniform School Accounting System software for financial reporting, and the State of Ohio Uniform Staff Payroll System software for payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio distributes resources to the School District in the form of "foundation payments" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the School District through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems. The State is solely responsible for any costs associated with processing foundation payments and the EMIS system.

Hancock County collects property taxes for distribution to the School District. Hancock County is responsible for remediating the tax collection system. The County is solely responsible for any costs associated with the tax collection system.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998
(Continued)

NOTE 20 - YEAR 2000 ISSUE (Continued)

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is, or will be, year 2000 ready; that the School District's remediation efforts will be successful in whole or in part; or that parties with whom the School District does business will be year 2000 ready.

NOTE 21 - CONTINGENT LIABILITIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1998.

B. Litigation

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



STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

To the Board of Education:

We have audited the financial statements of Liberty Benton Local School District, Hancock County, (the District) as of and for the year ended June 30, 1998, and have issued our report thereon dated December 14, 1999, in which we disclosed that the District changed its method of accounting for investments. We conducted our audit in accordance with generally accepted auditing standards 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 1998-10232-001. We also noted a certain immaterial instance of noncompliance, which we have reported to the management of the District in a separate letter dated December 14, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 14, 1999.

This report is intended solely for the information and use of the audit 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, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 14, 1999

**SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 1998-10232-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

Due to the effects of the advance refunding of debt, which was not appropriated by the Board, expenditures exceeded appropriations for the Bond Retirement fund by \$6,603,427.

It is recommended that the District ensure monies are appropriated prior to authorizing expenditures.



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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 11, 2000**