



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

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**STATE OF OHIO**



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

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Liberty-Benton Local School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Liberty-Benton Local School District, Hancock County, as of June 30, 2001, and the results of its operations and the cash flows of its enterprise fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the general-purpose financial statements during fiscal year 2001 the District changed its method of accounting for fixed assets.

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

**Jim Petro**  
Auditor of State

December 12, 2001

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

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,944,294	\$205,187	\$290,294	\$411,714
Cash and Cash Equivalents with Fiscal Agent		11,009		
Receivables:				
Property Taxes	3,215,452		641,683	
Income Taxes	578,686			
Accounts	5,395	133		
Intergovernmental	555	1,083		
Accrued Interest	50,953			
Prepaid Items	46,945			
Inventory Held for Resale				
Materials and Supplies Inventory	7,285			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	19,843			
Fixed Assets (net, where applicable, of accumulated depreciation)				
<b>Other Debits:</b>				
Amount Available in Special Revenue				
Fund for Payment of Termination Benefits				
Amount Available in Debt Service Fund for				
Retirement of General Obligation Debt				
Amount to be Provided from				
General Governmental Resources				
<b>Total Assets and Other Debits</b>	<b>\$7,869,408</b>	<b>\$217,412</b>	<b>\$931,977</b>	<b>\$411,714</b>



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$58,358	\$53,589			\$4,963,436 11,009
				3,857,135
				578,686
113				5,641
				1,638
				50,953
1,167				48,112
12,610				12,610
1,004				8,289
				19,843
91,059		\$15,704,506		15,795,565
			\$97,724	97,724
			325,246	325,246
			6,971,865	6,971,865
<b>\$164,311</b>	<b>\$53,589</b>	<b>\$15,704,506</b>	<b>\$7,394,835</b>	<b>\$32,747,752</b>

(Continued)

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

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2001  
(Continued)**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$42,944			
Accrued Wages and Benefits	596,657			
Compensated Absences Payable	8,981	\$12,773		
Intergovernmental Payable	128,552	135		
Deferred Revenue	3,110,163		\$606,731	
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	3,887,297	12,908	606,731	
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved (Deficit)				
Contributed Capital				
Fund Balance:				
Reserved for Property Taxes	161,048		34,952	
Reserved for Inventory	7,285			
Reserved for Budget Stabilization	19,843			
Reserved for Encumbrances	39,050	1,695		\$14,454
Designated for Textbooks	7,186			
Designated for Capital Improvements	231,934			
Designated for Termination Benefits		97,724		
Unreserved, Undesignated	3,515,765	105,085	290,294	397,260
Total Fund Equity and Other Credits	3,982,111	204,504	325,246	411,714
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$7,869,408</b>	<b>\$217,412</b>	<b>\$931,977</b>	<b>\$411,714</b>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
				\$42,944
\$22,380				619,037
3,715			\$426,735	452,204
17,849			65,147	211,683
10,383				3,727,277
	\$52,772			52,772
			6,902,953	6,902,953
<u>54,327</u>	<u>52,772</u>		<u>7,394,835</u>	<u>12,008,870</u>
		\$15,704,506		15,704,506
(51,000)				(51,000)
160,984				160,984
				196,000
				7,285
				19,843
				55,199
				7,186
				231,934
				97,724
	817			4,309,221
<u>109,984</u>	<u>817</u>	<u>15,704,506</u>		<u>20,738,882</u>
<u><b>\$164,311</b></u>	<u><b>\$53,589</b></u>	<u><b>\$15,704,506</b></u>	<u><b>\$7,394,835</b></u>	<u><b>\$32,747,752</b></u>

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

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
All Governmental and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2001**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
Property Taxes	\$3,169,365	
Income Taxes	1,236,291	
Intergovernmental	4,019,942	\$174,381
Interest	347,646	
Tuition and Fees	52,983	
Extracurricular Activities		96,112
Gifts and Donations		715
Miscellaneous	51,701	24,246
Total Revenues	<u>8,877,928</u>	<u>295,454</u>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	3,313,090	85,955
Special	575,504	42,499
Vocational	317,531	
Adult/Continuing	812	
Other	269,663	
Support Services:		
Pupils	437,179	38,962
Instructional Staff	244,593	48,299
Board of Education	10,466	
Administration	519,389	22,875
Fiscal	164,446	250
Business	1,590	
Operation and Maintenance of Plant	686,679	
Pupil Transportation	367,456	1,095
Central	66,780	5,021
Non-Instructional Services		2,000
Extracurricular Activities	182,170	78,581
Capital Outlay	629,820	
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	<u>7,787,168</u>	<u>325,537</u>
Excess of Revenues Over (Under) Expenditures	<u>1,090,760</u>	<u>(30,083)</u>
<b>Other Financing Sources (Uses):</b>		
Sale of Fixed Assets	425	
Operating Transfers In		65,450
Operating Transfers Out	(234,018)	
Total Other Financing Sources (Uses)	<u>(233,593)</u>	<u>65,450</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	857,167	35,367
Fund Balances at Beginning of Year (Restated - Note 4)	3,124,351	169,137
Increase in Reserve for Inventory	593	
<b>Fund Balances at End of Year</b>	<b><u>\$3,982,111</u></b>	<b><u>\$204,504</u></b>

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

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$645,993			\$3,815,358
67,717	\$43,646		1,236,291
			4,305,686
			347,646
			52,983
			96,112
		\$1,200	1,915
			75,947
<u>713,710</u>	<u>43,646</u>	<u>1,200</u>	<u>9,931,938</u>
			3,399,045
			618,003
			317,531
			812
			269,663
			476,141
			292,892
			10,466
12,790			542,264
	5,000		177,486
			6,590
			686,679
			368,551
			71,801
		1,200	3,200
			260,751
	175,137		804,957
435,000			435,000
259,274			259,274
<u>707,064</u>	<u>180,137</u>	<u>1,200</u>	<u>9,001,106</u>
<u>6,646</u>	<u>(136,491)</u>		<u>930,832</u>
			425
	168,568		234,018
			(234,018)
	<u>168,568</u>		<u>425</u>
6,646	32,077		931,257
318,600	379,637	817	3,992,542
			593
<u>\$325,246</u>	<u>\$411,714</u>	<u>\$817</u>	<u>\$4,924,392</u>

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

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2001**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Property Taxes	\$3,052,531	\$3,163,582	\$111,051
Income Taxes	837,250	967,532	130,282
Intergovernmental	3,489,000	4,020,387	531,387
Interest	205,194	303,395	98,201
Tuition and Fees	49,769	53,021	3,252
Extracurricular Activities			
Gifts and Donations			
Miscellaneous	32,935	36,805	3,870
Total Revenues	7,666,679	8,544,722	878,043
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	3,419,977	3,303,383	116,594
Special	673,397	570,929	102,468
Vocational	397,553	340,288	57,265
Adult/Continuing	810	810	
Other	277,516	269,663	7,853
Support Services:			
Pupils	458,307	424,122	34,185
Instructional Staff	282,688	243,529	39,159
Board of Education	11,221	10,170	1,051
Administration	545,241	518,451	26,790
Fiscal	182,743	169,770	12,973
Business	1,700	1,590	110
Operation and Maintenance of Plant	773,693	713,395	60,298
Pupil Transportation	406,549	367,860	38,689
Central	80,112	66,004	14,108
Non-Instructional Services			
Extracurricular Activities	195,309	178,882	16,427
Capital Outlay	843,361	827,273	16,088
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	8,550,177	8,006,119	544,058
Excess of Revenues Over (Under) Expenditures	(883,498)	538,603	1,422,101
<b>Other Financing Sources (Uses):</b>			
Sale of Fixed Assets		425	425
Other Financing Sources	150	84	(66)
Refund of Prior Year Expenditures		14,351	14,351
Operating Transfers In			
Operating Transfers Out	(234,126)	(234,018)	108
Total Other Financing Sources (Uses)	(233,976)	(219,158)	14,818
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,117,474)	319,445	1,436,919
Fund Balances at Beginning of Year	2,904,901	2,904,901	
Prior Year Encumbrances Appropriated	410,861	410,861	
<b>Fund Balances at End of Year</b>	<b>\$2,198,288</b>	<b>\$3,635,207</b>	<b>\$1,436,919</b>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$637,986	\$645,776	\$7,790
\$87,932	\$95,571	\$7,639	61,789	67,717	5,928
85,256	96,072	10,816			
287	715	428			
24,557	24,246	(311)			
198,032	216,604	18,572	699,775	713,493	13,718
96,989	79,082	17,907			
33,251	33,251				
8,173	4,968	3,205			
31,143	26,256	4,887			
12,084	10,448	1,636			
			14,250	12,790	1,460
1,912	1,089	823			
5,000	5,000				
2,000	2,000				
98,738	79,775	18,963			
			435,000	435,000	
			259,274	259,274	
289,290	241,869	47,421	708,524	707,064	1,460
(91,258)	(25,265)	65,993	(8,749)	6,429	15,178
65,450	65,450				
65,450	65,450				
(25,808)	40,185	65,993	(8,749)	6,429	15,178
161,488	161,488		283,865	283,865	
1,819	1,819				
<b>\$137,499</b>	<b>\$203,492</b>	<b>\$65,993</b>	<b>\$275,116</b>	<b>\$290,294</b>	<b>\$15,178</b>

(Continued)

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

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

	<b>Capital Projects Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property Taxes			
Income Taxes			
Intergovernmental	\$44,332	\$43,646	(\$686)
Interest			
Tuition and Fees			
Extracurricular Activities			
Gifts and Donations			
Miscellaneous			
Total Revenues	<u>44,332</u>	<u>43,646</u>	<u>(686)</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular			
Special			
Vocational	2,800	2,800	
Adult/Continuing			
Other			
Support Services:			
Pupils			
Instructional Staff	68,371	67,702	669
Board of Education			
Administration			
Fiscal			
Business	5,000	5,000	
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular Activities			
Capital Outlay	240,176	236,637	3,539
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>316,347</u>	<u>312,139</u>	<u>4,208</u>
Excess of Revenues Over (Under) Expenditures	<u>(272,015)</u>	<u>(268,493)</u>	<u>3,522</u>
<b>Other Financing Sources (Uses):</b>			
Sale of Fixed Assets			
Other Financing Sources			
Refund of Prior Year Expenditures			
Operating Transfers In	157,187	168,568	11,381
Operating Transfers Out			
Total Other Financing Sources (Uses)	<u>157,187</u>	<u>168,568</u>	<u>11,381</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(114,828)</u>	<u>(99,925)</u>	<u>14,903</u>
Fund Balances at Beginning of Year	315,139	315,139	
Prior Year Encumbrances Appropriated	182,046	182,046	
<b>Fund Balances at End of Year</b>	<b><u>\$382,357</u></b>	<b><u>\$397,260</u></b>	<b><u>\$14,903</u></b>

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



Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$3,690,517	\$3,809,358	\$118,841
			837,250	967,532	130,282
			3,683,053	4,227,321	544,268
			205,194	303,395	98,201
			49,769	53,021	3,252
			85,256	96,072	10,816
\$1,200	\$1,200		1,487	1,915	428
			57,492	61,051	3,559
1,200	1,200		8,610,018	9,519,665	909,647
			3,516,966	3,382,465	134,501
			706,648	604,180	102,468
			400,353	343,088	57,265
			810	810	
			277,516	269,663	7,853
			466,480	429,090	37,390
			382,202	337,487	44,715
			11,221	10,170	1,051
			557,325	528,899	28,426
			196,993	182,560	14,433
			6,700	6,590	110
			773,693	713,395	60,298
			408,461	368,949	39,512
			85,112	71,004	14,108
1,200	1,200		3,200	3,200	
			294,047	258,657	35,390
			1,083,537	1,063,910	19,627
			435,000	435,000	
			259,274	259,274	
1,200	1,200		9,865,538	9,268,391	597,147
			(1,255,520)	251,274	1,506,794
				425	425
			150	84	(66)
				14,351	14,351
			222,637	234,018	11,381
			(234,126)	(234,018)	108
			(11,339)	14,860	26,199
			(1,266,859)	266,134	1,532,993
817	817		3,666,210	3,666,210	
			594,726	594,726	
<b>\$817</b>	<b>\$817</b>		<b>\$2,994,077</b>	<b>\$4,527,070</b>	<b>\$1,532,993</b>

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

**Statement of Revenues, Expenses, and Changes in Fund Equity  
Enterprise Fund  
For the Fiscal Year Ended June 30, 2001**

<b>Operating Revenues:</b>	
Sales	<u>\$260,675</u>
<b>Operating Expenses:</b>	
Salaries	140,843
Fringe Benefits	36,220
Purchased Services	12,960
Materials and Supplies	4,737
Cost of Sales	151,041
Depreciation	<u>17,795</u>
Total Operating Expenses	<u>363,596</u>
Operating Loss	<u>(102,921)</u>
<b>Non-Operating Revenues:</b>	
Federal Donated Commodities	27,259
Operating Grants	<u>44,593</u>
Total Non-Operating Revenues	<u>71,852</u>
Net Loss	(31,069)
Retained Earnings (Deficit) at Beginning of Year (Restated - Note 4)	<u>(19,931)</u>
Retained Earnings (Deficit) at End of Year	<u>(51,000)</u>
Contributed Capital at Beginning of Year	137,418
Contributions from Other Funds	<u>23,566</u>
Contributed Capital at End of Year	<u>160,984</u>
<b>Total Fund Equity at End of Year</b>	<b><u><u>\$109,984</u></u></b>

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

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

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Basis)  
Enterprise Fund  
For the Fiscal Year Ended June 30, 2001**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Sales	\$254,685	\$260,918	\$6,233
Operating Grants	50,314	49,944	(370)
Total Revenues	<u>304,999</u>	<u>310,862</u>	<u>5,863</u>
<b>Expenses:</b>			
Salaries	142,367	133,507	8,860
Fringe Benefits	35,438	33,863	1,575
Purchased Services	17,354	13,460	3,894
Materials and Supplies	130,000	126,888	3,112
Capital Outlay	2,500	1,817	683
Total Expenses	<u>327,659</u>	<u>309,535</u>	<u>18,124</u>
Excess of Revenues Over (Under) Expenses	(22,660)	1,327	23,987
Fund Balance at Beginning of Year	56,302	56,302	
Prior Year Encumbrances Appropriated	<u>229</u>	<u>229</u>	
<b>Fund Balance at End of Year</b>	<b><u><u>\$33,871</u></u></b>	<b><u><u>\$57,858</u></u></b>	<b><u><u>\$23,987</u></u></b>

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

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

**Statement of Cash Flows  
Enterprise Fund  
For the Fiscal Year Ended June 30, 2001**

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

Cash Flows from Operating Activities:

Cash Received from Customers	\$260,918
Cash Payments for Salaries	(133,507)
Cash Payments for Fringe Benefits	(33,863)
Cash Payments for Goods and Services	(141,665)

Net Cash Used for Operating Activities	(48,117)
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Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	49,944
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Net Increase in Cash and Cash Equivalents	1,827
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Cash and Cash Equivalents at Beginning of Year	56,531
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<b>Cash and Cash Equivalents at End of Year</b>	<b>\$58,358</b>
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**Reconciliation of Operating Loss to Net  
Cash Used for Operating Activities:**

Operating Loss	(\$102,921)
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Adjustments to Reconcile Operating Loss to  
Net Cash Used for Operating Activities

Depreciation	17,795
Donated Commodities Used During Year	27,259
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	243
Increase in Prepaid Items	(385)
Increase in Inventory Held for Resale	(170)
Increase in Materials and Supplies Inventory	(16)
Increase in Accrued Wages and Benefits	4,394
Increase in Compensated Absences Payable	3,715
Increase in Intergovernmental Payable	1,969

<b>Net Cash Used for Operating Activities</b>	<b>(\$48,117)</b>
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**Non-Cash Capital Transactions:**

During fiscal year 2001, the School District's governmental funds purchased fixed assets, in the amount of \$23,566, and donated them to the Food Service enterprise fund.

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

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

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001**

**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 393rd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-two classified employees, ninety certified teaching personnel, and five administrative employees who provide services to 1,340 students and other community members. The School District currently operates two instructional buildings.

**Reporting Entity**

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

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

The School District is associated with five jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative (NOACSC), Millstream Cooperative Vocational Career Center, Hancock County Local Professional Development Committee, Ohio Schools Council Association, Northwestern Ohio Educational Research Council, Inc., Hancock County Schools Health Benefit Fund and Trust, and the NOACSC Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 18 and 19 to the combined financial statements.

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

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

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

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

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

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

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

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

*GOVERNMENTAL FUND TYPES:*

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

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

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

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

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

*PROPRIETARY FUND TYPE:*

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

*Enterprise Fund* - The enterprise fund is used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

*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 2001. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*ACCOUNT GROUPS:*

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

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

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

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

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

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

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

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

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

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

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, 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.

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

**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 function level within the General Fund and the fund level in all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object level in the General Fund and the function and object level within all other funds are made by the School District Treasurer.

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.



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

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

*Tax Budget:*

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

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

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2001.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the function level within the General Fund and the fund level in all other funds, 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.

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

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

*Encumbrances:*

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

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

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

fund types and the expendable trust fund and reported in the notes to the financial statements for the enterprise fund.

*Lapsing of Appropriations:*

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

**D. Cash and Investments**

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

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

During fiscal year 2001, investments included federal agency securities, mutual funds, and STAR Ohio. Federal agency securities are reported at fair value, which is based on quoted market prices. Mutual funds are reported at fair value, which is based on current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2001 was \$347,646, which included \$76,511 assigned from other School District funds.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**F. Inventory**

Inventory in governmental funds is stated at cost while inventory in the enterprise fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials and

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

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

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 whose use is limited by legal requirements. Restricted assets represent amounts required by State statute to be set aside to create a reserve for budget stabilization.

**H. Fixed Assets and Depreciation**

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

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

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

**I. Compensated Absences**

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

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

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

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

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

**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 resources. In general, payments made more than sixty days after fiscal year end are not considered to have been paid using current available expendable resources. Bonds are reported as a liability in the general long-term obligations account group until due.

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

**K. Contributed Capital**

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

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

**L. Fund Balance Reserves and Designations**

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

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

**M. 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.

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

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

**N. Use of Estimates**

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

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

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available.

For fiscal year 2001, the School District has increased the threshold amount for capitalizing fixed assets. The threshold amount was increased from \$100 to \$1,500.

**NOTE 4 - RESTATEMENT OF FUND EQUITY**

The restatement for GASB Statements No. 33 and 36 had the following effect on fund balance as previously reported as of June 30, 2000.

	General	Special Revenue
Fund Balance as Previously Reported	\$3,178,133	\$168,137
Intergovernmental Receivable		1,000
Deferred Revenue	(53,782)	
Restated Fund Balance at June 30, 2000	\$3,124,351	\$169,137

The restatement had the following effect on the excess of revenues and other financing sources over expenditures and other financing uses as previously reported for the fiscal year ended June 30, 2000.

	General	Special Revenue
Excess as Previously Reported	\$858,727	\$45,067
Intergovernmental Receivable		1,000
Deferred Revenue	(53,782)	
Restated Amount for the Fiscal Year Ended June 30, 2000	\$804,945	\$46,067

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

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

Fixed assets and accumulated depreciation in the Food Service enterprise fund decreased due to the change in the threshold amount for capitalizing fixed assets. Fixed assets decreased \$44,732, from \$212,043 to \$167,311, and accumulated depreciation decreased \$29,514, from \$111,537 to \$82,023. As a result of the restatement, retained earnings as previously reported as of June 30, 2000, decreased \$15,218, from (\$4,713) to (\$19,931).

The fixed assets reported in the general fixed assets account group decreased \$1,378,032, from \$16,544,139 to \$15,166,107, due to the change in the threshold amount for capitalizing fixed assets.

**NOTE 5 - ACCOUNTABILITY**

At June 30, 2001, the Title I special revenue fund had a deficit fund balance of \$79. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Food Service enterprise fund had deficit retained earnings of \$51,000 at June 30, 2001, as a result of accumulated operating losses from prior years.

**NOTE 6 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$857,167	\$35,367	\$6,646	\$32,077
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 2000, Received in Cash FY 2001	464,327	1,093	34,735	
Accrued FY 2001, Not Yet Received in Cash	(740,878)	(1,216)	(34,952)	
Expenditure Accruals:				
Accrued FY 2000, Paid in Cash FY 2001	(\$685,988)	(\$2,215)		(\$117,548)
Accrued FY 2001, Not Yet Paid in Cash	777,134	12,908		
Cash Adjustments:				
Unrecorded Activity FY 2000	(14,895)			
Unrecorded Activity FY 2001	(27,325)			
Prepaid Items	(8,492)			
Excess of Revenues Over Expenditures for Non-budgeted Funds		(4,057)		
Encumbrances Outstanding at Year End (Budget Basis)	<u>(301,605)</u>	<u>(1,695)</u>		<u>(14,454)</u>
Budget Basis	<u><u>\$319,445</u></u>	<u><u>\$40,185</u></u>	<u><u>\$6,429</u></u>	<u><u>(\$99,925)</u></u>

Net Loss/Excess of Revenues Over Expenses  
Enterprise Fund

GAAP Basis	(\$31,069)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2000, Received in Cash FY 2001	5,707
Accrued FY 2001, Not Yet Received in Cash	(113)
Expense Accruals:	
Accrued FY 2000, Paid in Cash FY 2001	(\$33,866)
Accrued FY 2001, Not Yet Paid in Cash	43,944
Prepaid Items	(385)
Inventory Held for Resale	(170)
Materials and Supplies Inventory	(16)
Depreciation Expense	17,795
Encumbrances Outstanding at Year End (Budget Basis)	<u>(500)</u>
Budget Basis	<u><u>\$1,327</u></u>

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
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**NOTE 7 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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



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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 \$7,820 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 \$11,009 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 \$2,648,227 and the bank balance was \$2,754,796. Of the bank balance, \$235,648 was covered by federal depository insurance and \$2,519,148 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

	<u>Category 2</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Federal National Mortgage Association Notes	\$406,000	\$406,000	\$406,000
Federal Home Loan Bank Notes	<u>401,126</u>	<u>401,126</u>	<u>401,126</u>
	<u>\$807,126</u>	807,126	807,126
Mutual Funds		71,631	71,631
STAR Ohio		<u>1,448,475</u>	<u>1,448,475</u>
Totals		<u>\$2,327,232</u>	<u>\$2,327,232</u>

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$4,994,288	
Cash on Hand	(7,820)	
Cash and Cash Equivalents with Educational Service Center	(11,009)	
Investments:		
Federal National Mortgage Association Notes	(406,000)	406,000
Federal Home Loan Bank Notes	(401,126)	401,126
Mutual Funds	(71,631)	71,631
STAR Ohio	(1,448,475)	1,448,475
GASB Statement No. 3	\$2,648,227	\$2,327,232

**NOTE 8 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes for calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes for calendar year 2001 were levied after April 1, 2000, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments

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collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is recognized as revenue at year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$161,048 in the General Fund and \$34,952 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2000, was \$155,265 in the General Fund and \$34,735 in the Bond Retirement debt service fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second - Half Collections		2001 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$73,160,780	62.47%	\$77,293,390	64.04%
Industrial/Commercial	17,135,120	14.63	17,177,120	14.23
Public Utility	6,575,560	5.61	6,678,080	5.53
Tangible Personal	20,256,842	17.29	19,548,281	16.20
Total Assessed Value	<u>\$117,128,302</u>	<u>100.00%</u>	<u>\$120,696,871</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$46.50		\$44.78	

**NOTE 9 - INCOME TAXES**

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

**NOTE 10 - RECEIVABLES**

Receivables at June 30, 2001, consisted of both property and income taxes, accounts (rent, billings for user charged services, and students fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Accounts receivable at June 30 were \$5,641. Intergovernmental receivables were recorded in the General Fund, in the amount of \$555, and in the Title VI-R Classroom Reduction special revenue fund, in the amount of \$1,083, for reimbursements.

**NOTE 11 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2001, follows:

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(Continued)**

Furniture and Equipment	\$190,877
Less Accumulated Depreciation	<u>(99,818)</u>
Net Fixed Assets	<u><u>\$91,059</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Land and Improvements	\$721,458	\$254,016		\$975,474
Buildings	11,956,931	492,772		12,449,703
Furniture and Equipment	1,349,370	41,163	\$193,173	1,197,360
Vehicles	1,026,144			1,026,144
Construction in Progress	112,204	55,825	112,204	55,825
Total General Fixed Assets	<u>\$15,166,107</u>	<u>\$843,776</u>	<u>\$305,377</u>	<u>\$15,704,506</u>

**NOTE 12 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted for the following insurance coverage:

Coverage provided by Harcum-Hyre Insurance are as follows:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$20,486,300
Boiler and Machinery (\$1,000 deductible)	10,482,500
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	36,431
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Medical Payments - per person	3,000

Coverage provided by Nationwide Insurance are as follows:

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

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

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

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For fiscal year 2001, 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 13 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$323,375, \$189,829, and \$177,188, respectively; 82 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$59,011, is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$42,036, \$50,648, and \$67,278, respectively; 42

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percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$24,332, 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, 2001, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$153,178.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

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

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$122,908 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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**NOTE 15 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Health Care Benefits**

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

**NOTE 16 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
School Improvement Refunding Bonds FY 1998 3.75-5.25%	\$7,053,176	\$284,777	\$435,000	\$6,902,953
Compensated Absences Payable	445,521		18,786	426,735
Intergovernmental Payable	65,193	65,147	65,193	65,147
<b>Total General Long-Term Obligations</b>	<b><u>\$7,563,890</u></b>	<b><u>\$349,924</u></b>	<b><u>\$518,979</u></b>	<b><u>\$7,394,835</u></b>

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

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:

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

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

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2009 through 2016. The maturity amount of the bonds is \$4,560,000. For fiscal year 2001, \$284,777 was accreted on the capital appreciation bonds for a total outstanding bond value of \$6,902,953 at fiscal year end.

The school improvement refunding bonds defeased in-substance \$6,604,053 in school improvement general obligation bonds. At June 30, 2001, \$5,829,053 of this debt was still outstanding.

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

The School District's overall debt margin was \$4,285,011 with an unvoted debt margin of \$120,697 at June 30, 2001.

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

Fiscal Year Ending June 30,	General Obligation Bonds			Interest	Total
	Serial	Term	Capital		
2002	\$450,000			\$241,127	\$691,127
2003	470,000			221,920	691,920
2004	490,000			201,638	691,638
2005	510,000			180,260	690,260
2006	480,000			158,855	638,855
2007-2011	1,565,000		435,847	500,772	2,501,619
2012-2016			801,721	393,750	1,195,471
2017-2020		1,575,000	125,385	196,375	1,896,760
	\$3,965,000	\$1,575,000	\$1,362,953	\$2,094,697	\$8,997,650

**NOTE 17 - SET ASIDE REQUIREMENTS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount



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for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2000	(\$45,608)	\$53,239	\$118,437
Current Year Set Aside Requirement	194,248	194,248	
Legislative Reduction			(98,594)
Qualifying Expenditures	<u>(229,084)</u>	<u>(247,487)</u>	
Amount Carried Forward to Fiscal Year 2002	<u>(\$80,444)</u>		<u>\$19,843</u>
Set Aside Reserve Balance June 30, 2001			<u>\$19,843</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The total reserve balance for set asides at the end of the fiscal year was \$19,843.

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

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

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

**B. Millstream Cooperative Vocational Career Center**

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

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

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

**D. Ohio Schools Council Association**

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

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

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

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

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

**NOTE 19 - INSURANCE POOLS**

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

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

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

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

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

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

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

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

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

**NOTE 20 - 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, 2001.

**B. Litigation**

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

**NOTE 21 - STATE SCHOOL FUNDING DECISION**

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

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

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

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

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001  
(Continued)**

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

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

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



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

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

To the Board of Education:

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

**Compliance**

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

**Internal Control Over Financial Reporting**

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

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

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

**Jim Petro**  
Auditor of State

December 12, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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**LIBERTY-BENTON LOCAL SCHOOL DISTRICT**

**HANCOCK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 3, 2002**