



**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Liberty Center Local School District
Henry County
103 West Young Street
PO Box 434
Liberty Center, Ohio 43532-0434

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Liberty Center Local School District, Henry County, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2000 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.

Jim Petro
Auditor of State

January 21, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,990,816	\$ 76,618	\$ 173,839	\$ 1,740
Cash and Cash Equivalents:				
With Fiscal Agents	0	4,479	0	0
Receivables:				
Taxes	2,349,979	0	304,392	0
Accounts	1,753	1,730	0	0
Intergovernmental	18,518	0	0	24,695
Accrued Interest	10,745	0	0	0
Advances Due From Other Funds	24,695	0	0	0
Materials and Supplies Inventory	8,599	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	71,481	0	0	0
Fixed Assets	0	0	0	0
Accumulated Depreciation	0	0	0	0
Other Debits:				
Amounts Available in Debt Service Fund	0	0	0	0
Amounts to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$ 4,476,586	\$ 82,827	\$ 478,231	\$ 26,435
LIABILITIES, EQUITY, AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$ 17,336	\$ 0	\$ 0	\$ 0
Contracts Payable	14,186	0	0	0
Accrued Wages and Benefits	585,051	9,920	0	0
Compensated Absences Payable	27,638	328	0	0
Advances Due to Other Funds	0	0	0	24,695
Intergovernmental Payable	82,469	4,093	0	0
Deferred Revenue	1,846,682	0	276,575	0
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	2,573,362	14,341	276,575	24,695
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved:				
Reserved for Encumbrances	147,148	1,654	0	0
Reserved for Inventory	8,599	0	0	0
Reserved for Debt Service Principal	0	0	173,839	0
Reserved for Advances	24,695	0	0	0
Reserved for Property Taxes	182,574	0	27,817	0
Reserved for Budget Stabilization	71,481	0	0	0
Unreserved:				
Unreserved, Undesignated	1,468,727	66,832	0	1,740
Total Fund Equity and Other Credits	1,903,224	68,486	201,656	1,740
Total Liabilities, Fund Equity, and Other Credits	\$ 4,476,586	\$ 82,827	\$ 478,231	\$ 26,435

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

Proprietary Fund Type	Fiduciary Fund Types	Accounts Groups		Totals (Memorandum Only)
		Trust and Agency	General Fixed Assets	
Enterprise				
\$ 75,753	\$ 22,669	\$ 0	\$ 0	\$ 2,341,435
0	0	0	0	4,479
0	0	0	0	2,654,371
190	260	0	0	3,933
14,460	0	0	0	57,673
0	0	0	0	10,745
0	0	0	0	24,695
17,532	0	0	0	26,131
0	0	0	0	71,481
163,821	0	13,185,795	0	13,349,616
(74,606)	0	0	0	(74,606)
0	0	0	173,839	173,839
0	0	0	3,743,046	3,743,046
\$ 197,150	\$ 22,929	\$ 13,185,795	\$ 3,916,885	\$ 22,386,838

\$ 240	\$ 0	\$ 0	\$ 0	\$ 17,576
0	0	0	0	14,186
22,667	0	0	0	617,638
10,753	0	0	314,807	353,526
0	0	0	0	24,695
15,165	166	0	47,078	148,971
9,820	0	0	0	2,133,077
0	19,306	0	0	19,306
0	0	0	3,555,000	3,555,000
58,645	19,472	0	3,916,885	6,883,975
0	0	13,185,795	0	13,185,795
128,591	0	0	0	128,591
9,914	0	0	0	9,914
0	0	0	0	148,802
0	0	0	0	8,599
0	0	0	0	173,839
0	0	0	0	24,695
0	0	0	0	210,391
0	0	0	0	71,481
0	3,457	0	0	1,540,756
138,505	3,457	13,185,795	0	15,502,863
\$ 197,150	\$ 22,929	\$ 13,185,795	\$ 3,916,885	\$ 22,386,838

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$ 3,664,910	\$ 214,190
Interest	134,002	2,379
Tuition and Fees	42,949	1,664
Rent	767	0
Extracurricular Activities	0	139,870
Gifts and Donations	5,617	34,095
Income Tax	825,401	0
Property and Other Local Taxes	2,175,080	0
Miscellaneous	6,203	5,474
	<u>6,854,929</u>	<u>397,672</u>
Expenditures:		
Current:		
Instruction:		
Regular	2,925,915	165,001
Special	46,455	95,636
Vocational	124,615	0
Other	474,581	0
Support Services:		
Pupils	220,147	29,573
Instructional Staff	89,430	49,927
Board of Education	20,026	0
Administration	457,298	29,093
Fiscal	194,221	0
Operation and Maintenance of Plant	603,208	240
Pupil Transportation	301,145	0
Central	185,912	5,245
Non-Instructional Services	0	1,126
Extracurricular activities	198,017	165,705
Capital Outlay	295,451	0
Debt Service:		
Debt Service - Principal	0	0
Debt Service - Interest	0	0
	<u>6,136,421</u>	<u>541,546</u>
Excess Revenues Over (Under) Expenditures	<u>718,508</u>	<u>(143,874)</u>
Other Financing Sources and Uses		
Operating Transfers In	0	14,000
Proceeds from Sale of Fixed Assets	3,520	1,800
Refund of Prior Year Expenditures	2,536	0
Operating Transfers Out	(48,422)	0
Refund of Prior Year Receipts	(49)	(2,473)
	<u>(42,415)</u>	<u>13,327</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>676,093</u>	<u>(130,547)</u>
Fund Balance at Beginning of Year	<u>1,227,131</u>	<u>199,033</u>
Fund Balance at End of Year	\$ 1,903,224	\$ 68,486

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

Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$ 30,423	\$ 30,440	\$ 0	\$ 3,939,963
0	0	145	136,526
0	0	0	44,613
0	0	0	767
0	0	0	139,870
0	0	0	39,712
0	0	0	825,401
323,230	0	0	2,498,310
0	0	550	12,227
<u>353,653</u>	<u>30,440</u>	<u>695</u>	<u>7,637,389</u>
0	5,450	0	3,096,366
0	0	0	142,091
0	0	0	124,615
0	0	0	474,581
0	0	0	249,720
0	0	0	139,357
0	0	0	20,026
0	0	0	486,391
9,258	0	0	203,479
0	163,962	0	767,410
0	0	0	301,145
0	0	0	191,157
0	0	0	1,126
0	0	284	364,006
0	7,400	0	302,851
95,000	0	0	95,000
211,198	0	0	211,198
<u>315,456</u>	<u>176,812</u>	<u>284</u>	<u>7,170,519</u>
<u>38,197</u>	<u>(146,372)</u>	<u>411</u>	<u>466,870</u>
0	30,211	0	44,211
0	0	0	5,320
0	0	0	2,536
0	0	0	(48,422)
0	0	0	(2,522)
<u>0</u>	<u>30,211</u>	<u>0</u>	<u>1,123</u>
38,197	(116,161)	411	467,993
163,459	117,901	3,046	1,710,570
<u>\$ 201,656</u>	<u>\$ 1,740</u>	<u>\$ 3,457</u>	<u>\$ 2,178,563</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$ 3,589,506	\$ 3,662,017	\$ 72,511
Interest	85,000	149,948	64,948
Tuition and Fees	40,200	30,059	(10,141)
Rent	1,000	650	(350)
Extracurricular Activities	0	0	0
Gifts and Donations	1,425	5,617	4,192
Income Tax	775,000	797,415	22,415
Property and Other Local Taxes	2,135,817	2,195,770	59,953
Miscellaneous	2,500	6,299	3,799
Total Revenues	<u>6,630,448</u>	<u>6,847,775</u>	<u>217,327</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,930,465	2,862,730	67,735
Special	51,015	45,670	5,345
Vocational	130,340	124,539	5,801
Other	517,000	474,581	42,419
Support Services:			
Pupils	232,707	219,169	13,538
Instructional Staff	110,192	90,299	19,893
Board of Education	39,156	20,055	19,101
Administration	467,715	452,310	15,405
Fiscal	201,456	193,595	7,861
Operation and Maintenance of Plant	654,833	617,611	37,222
Pupil Transportation	381,544	350,907	30,637
Central	197,735	188,777	8,958
Non-Instructional Services	0	0	0
Extracurricular activities	202,099	197,659	4,440
Capital Outlay	431,459	425,055	6,404
Debt Service:			
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
Total Expenditures	<u>6,547,716</u>	<u>6,262,957</u>	<u>284,759</u>
Excess of Revenues Over (Under) Expenditures	<u>82,732</u>	<u>584,818</u>	<u>502,086</u>
Other Financing Sources and Uses			
Operating Transfers In	0	0	0
Proceeds from Sale of Fixed Assets	1,000	3,520	2,520
Refund of Prior Year Expenditures	1,500	2,909	1,409
Advances In	0	0	0
Operating Transfers Out	(48,450)	(48,422)	28
Refund of Prior Year Receipts	(250)	(49)	201
Advances Out	(24,706)	(24,695)	11
Total Other Financing Sources (Uses)	<u>(70,906)</u>	<u>(66,737)</u>	<u>4,169</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	11,826	518,081	506,255
Fund Balances at Beginning of Year	1,025,026	1,025,026	0
Prior Year Encumbrances Appropriated	362,963	362,963	0
Fund Balance at end of Year	<u>\$ 1,399,815</u>	<u>\$ 1,906,070</u>	<u>\$ 506,255</u>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ 180,091	\$ 158,321	\$ (21,770)	\$ 27,254	\$ 30,424	\$ 3,170
1,330	2,380	1,050	0	0	0
1,600	1,664	64	0	0	0
0	0	0	0	0	0
136,825	138,202	1,377	0	0	0
29,855	34,095	4,240	0	0	0
0	0	0	0	0	0
0	0	0	313,185	321,487	8,302
4,700	5,474	774	0	0	0
<u>354,401</u>	<u>340,136</u>	<u>(14,265)</u>	<u>340,439</u>	<u>351,911</u>	<u>11,472</u>
175,396	164,109	11,287	0	0	0
88,844	71,456	17,388	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
3,014	1,588	1,426	0	0	0
48,938	48,523	415	0	0	0
0	0	0	0	0	0
35,926	28,409	7,517	0	0	0
0	0	0	9,500	9,258	242
0	0	0	0	0	0
0	0	0	0	0	0
7,500	5,285	2,215	0	0	0
0	0	0	0	0	0
176,422	166,344	10,078	0	0	0
0	0	0	0	0	0
0	0	0	95,000	95,000	0
0	0	0	<u>211,198</u>	<u>211,198</u>	<u>0</u>
<u>536,040</u>	<u>485,714</u>	<u>50,326</u>	<u>315,698</u>	<u>315,456</u>	<u>242</u>
<u>(181,639)</u>	<u>(145,578)</u>	<u>36,061</u>	<u>24,741</u>	<u>36,455</u>	<u>11,714</u>
18,000	14,000	(4,000)	0	0	0
0	1,800	1,800	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(2,473)	(2,473)	0	0	0	0
0	0	0	0	0	0
<u>15,527</u>	<u>13,327</u>	<u>(2,200)</u>	<u>0</u>	<u>0</u>	<u>0</u>
(166,112)	(132,251)	33,861	24,741	36,455	11,714
189,257	189,257	0	137,384	137,384	0
16,907	16,907	0	0	0	0
<u>\$ 40,052</u>	<u>\$ 73,913</u>	<u>\$ 33,861</u>	<u>\$ 162,125</u>	<u>\$ 173,839</u>	<u>\$ 11,714</u>

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 60,651	\$ 5,745	\$ (54,906)
Interest	0	0	0
Tuition and Fees	0	0	0
Rent	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Income Tax	0	0	0
Property and Other Local Taxes	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>60,651</u>	<u>5,745</u>	<u>(54,906)</u>
Expenditures:			
Current:			
Instruction:			
Regular	7,190	5,450	1,740
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	457,354	457,354	0
Pupil Transportation	0	0	0
Central	0	0	0
Non-Instructional Services	0	0	0
Extracurricular activities	0	0	0
Capital Outlay	8,200	8,200	0
Debt Service:			
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
Total Expenditures	<u>472,744</u>	<u>471,004</u>	<u>1,740</u>
Excess of Revenues Over (Under) Expenditures	<u>(412,093)</u>	<u>(465,259)</u>	<u>(53,166)</u>
Other Financing Sources and Uses			
Operating Transfers In	0	30,211	30,211
Proceeds from Sale of Fixed Assets	0	0	0
Refund of Prior Year Expenditures	0	0	0
Advances In	0	24,695	24,695
Operating Transfers Out	0	0	0
Refund of Prior Year Receipts	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>54,906</u>	<u>54,906</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(412,093)</u>	<u>(410,353)</u>	<u>1,740</u>
Fund Balances at Beginning of Year	(34,687)	(34,687)	0
Prior Year Encumbrances Appropriated	446,780	446,780	0
Fund Balance at end of Year	<u>\$ 0</u>	<u>\$ 1,740</u>	<u>\$ 1,740</u>

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

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 3,857,502	\$ 3,856,507	\$ (995)
150	145	(5)	86,480	152,473	65,993
0	0	0	41,800	31,723	(10,077)
0	0	0	1,000	650	(350)
0	0	0	136,825	138,202	1,377
50	0	(50)	31,330	39,712	8,382
0	0	0	775,000	797,415	22,415
0	0	0	2,449,002	2,517,257	68,255
850	550	(300)	8,050	12,323	4,273
1,050	695	(355)	7,386,989	7,546,262	159,273
0	0	0	3,113,051	3,032,289	80,762
0	0	0	139,859	117,126	22,733
0	0	0	130,340	124,539	5,801
0	0	0	517,000	474,581	42,419
0	0	0	235,721	220,757	14,964
0	0	0	159,130	138,822	20,308
0	0	0	39,156	20,055	19,101
0	0	0	503,641	480,719	22,922
0	0	0	210,956	202,853	8,103
0	0	0	1,112,187	1,074,965	37,222
0	0	0	381,544	350,907	30,637
0	0	0	205,235	194,062	11,173
1,100	0	1,100	1,100	0	1,100
340	313	27	378,861	364,316	14,545
0	0	0	439,659	433,255	6,404
0	0	0	95,000	95,000	0
0	0	0	211,198	211,198	0
1,440	313	1,127	7,873,638	7,535,444	338,194
(390)	382	772	(486,649)	10,818	497,467
0	0	0	18,000	44,211	26,211
0	0	0	1,000	5,320	4,320
0	0	0	1,500	2,909	1,409
0	0	0	0	24,695	24,695
0	0	0	(48,450)	(48,422)	28
0	0	0	(2,723)	(2,522)	201
0	0	0	(24,706)	(24,695)	11
0	0	0	(55,379)	1,496	56,875
(390)	382	772	(542,028)	12,314	554,342
3,045	3,045	0	1,320,025	1,320,025	0
0	0	0	826,650	826,650	0
\$ 2,655	\$ 3,427	\$ 772	\$ 1,604,647	\$ 2,158,989	\$ 554,342

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues:			
Sales	\$ 244,392	\$ 0	\$ 244,392
Other Revenues	2,084	73,153	75,237
Total Operating Revenues	246,476	73,153	319,629
Operating Expenses:			
Salaries	117,917	0	117,917
Fringe Benefits	30,252	0	30,252
Purchased Services	6,817	0	6,817
Materials and Supplies	164,502	46,642	211,144
Depreciation	11,284	0	11,284
Other	0	26,558	26,558
Total Operating Expenses	330,772	73,200	403,972
Operating Loss	(84,296)	(47)	(84,343)
Non-Operating Revenues and Expenses:			
Federal Donated Commodities	28,628	0	28,628
Interest	2,802	0	2,802
Federal and State Subsidies	60,502	0	60,502
Total Non-Operating Revenues and Expenses	91,932	0	91,932
Income (Loss) Before Operating Transfers	7,636	(47)	7,589
Operating Transfers-In	2,000	0	2,000
Net Income (Loss)	9,636	(47)	9,589
Retained Earnings at Beginning of Year	278	47	325
Retained Earnings at End of Year	9,914	0	9,914
Contributed Capital at End of Year	128,591	0	128,591
Total Fund Equity at End of Year	\$ 138,505	\$ 0	\$ 138,505

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

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Totals (Memorandum) Only
	Enterprise	Internal Service	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$ 244,201	\$ 0	\$ 244,201
Other Cash Receipts	2,084	73,153	75,237
Cash Payments to Suppliers for Goods and Service	(135,417)	(46,642)	(182,059)
Cash Payments for Contract Services	(6,817)	0	(6,817)
Cash Payments for Employee Services	(102,477)	0	(102,477)
Cash Payments for Employee Benefits	(39,822)	0	(39,822)
Other Cash Payments	0	(26,558)	(26,558)
Net Cash Used for Operating Activities	(38,248)	(47)	(38,295)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	46,043	0	46,043
Operating Transfers In	2,000	0	2,000
Net Cash Provided by Noncapital Financing Activities	48,043	0	48,043
Cash Flows from Investing Activities:			
Interest on Investments	2,802	0	2,802
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	(1,123)	0	(1,123)
Net Increase (Decrease) in Cash and Cash Equivalents	11,474	(47)	11,427
Cash and Cash Equivalents at Beginning of Year	64,279	47	64,326
Cash and Cash Equivalents at End of Year	\$ 75,753	\$ 0	\$ 75,753
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES			
Operating Loss	\$ (84,296)	\$ (47)	\$ (84,343)
Adjustments to Reconcile Operating loss To Net Cash Used for Operating Activities:			
Depreciation	11,284	0	11,284
Donated Commodities Used During the Year	28,628	0	28,628
(Increase) Decrease in Assets:			
Accounts Receivable	(191)	0	(191)
Material and Supplies Inventory	(1,103)	0	(1,103)
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	3,098	0	3,098
Intergovernmental Payable	164	0	164
Deferred Revenue	1,560	0	1,560
Accounts Payable	240	0	240
Accrued Wages and Benefits	2,368	0	2,368
Total Adjustments	46,048	0	46,048
Net Cash Used for Operating Activities	\$ (38,248)	\$ (47)	\$ (38,295)

The Food Service Fund consumed donated commodities with a value of \$28,628. The use of these commodities is reflected as an operating expense.

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

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Liberty Center Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Liberty Center Local School District is a local school district as defined by § 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The board oversees the operations of the District's instructional/support facility.

The Reporting Entity

The District has implemented the Government Accounting Standards Board (GASB) pronouncements concerning the definition of the reporting entity. Accordingly, the District's balance sheet includes all funds, account groups, agencies, boards, commissions, and component units over which the District officials exercise oversight responsibility.

Oversight responsibility includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by District full faith and credit or revenues, and responsibility for funding deficits. On this basis, there were no organizations subject to the District's oversight responsibility, which required incorporation into the financial statements.

The District is associated with organizations, which are defined as jointly governed organizations, a related organization and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Joint Vocational School, the Liberty Center Public Library, the Northern Buckeye Education Council's Employee Insurance Benefit Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 12, 13, and 14 to the general-purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Liberty Center Local School District have been prepared in conformity with general 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 District also applies Financial Accounting Standards Board (FASB) statements issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements.

A. Basis of Accounting

The modified accrual basis of accounting is followed for governmental, expendable trust, and agency funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a. Revenue accrued at the end of the year included taxes, interest, student fees, and tuition.
 - b. Property taxes measurable but not available as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.
4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

The Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

1. Governmental Funds

The funds through which most Board of Education functions are typically financed.

General Fund - The fund used to account for all financial resources except those required to be segregated and accounted for in other funds. The General Fund is the general operating fund of the District.

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

Debt Service Funds - The funds used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Capital Projects Funds - The funds 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).

2. Proprietary Funds

The funds used to account for Board activities that are similar to business operations in the private sector. Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows.

Enterprise Funds - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds - The funds used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost reimbursement basis.

3. Fiduciary Funds

The funds used to account for assets not owned by the Board, but held for a separate entity.

Trust Funds - The funds used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust Funds.

Agency Funds - The funds used to account for assets held by the District as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgetary Accounting

Budgets are adopted on a cash basis.

The District is required by State statute to adopt an annual appropriation budget for all funds. The Title VI-B Flow Thru Grant, Eisenhower Math-Science Grant, and Federal Preschool Grant special revenue funds pass through grants in which the Northwest Educational Service Center is the primary recipient. Budgetary information for these funds are not included within the District's reporting entity

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

for which the "appropriated budget" is adopted, and the District does not maintain separate budgetary records.

The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits 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. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year, as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types and expendable trust fund for the year ended June 30, 1999 follows:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Excess of Revenues and Other Sources
Over (Under) Expenditures and Other Uses

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$ 518,081	\$ (132,251)	\$ 36,455	\$ (410,353)	\$ 382
Revenue Accruals	7,154	57,536	1,742	24,695	0
Expenditure Accruals	(29,691)	(58,537)	0	294,192	0
Other Financing Sources (Uses)	24,322	0	0	(24,695)	0
Reserve for Encumbrances	156,227	2,705	0	0	29
GAAP Basis	<u>\$ 676,093</u>	<u>\$ (130,547)</u>	<u>\$ 38,197</u>	<u>\$ (116,161)</u>	<u>\$ 411</u>

D. Encumbrances

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. 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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During the fiscal year 1999, investments were limited to Star Ohio, repurchase agreements, and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. 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's share price, which is the price of the investment, could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general funds during fiscal year 1999 amounted to \$134,002; interest in the amount of \$5,326 was credited to other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consist of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

G. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Improvements are capitalized. The cost 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. Interest incurred during construction of general fixed assets is also not capitalized. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$250. This is based primarily on the uniqueness of these items to a school operation. No depreciation is recognized for asset in General Fixed Assets Account Group.

Public Domain ("infrastructure") general fixed assets consisting of curbs, gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. The District does not have any infrastructure.

2. Proprietary Funds

Property plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of seven to twenty years.

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Drug Free School Grants

Title I

Title VI

Educational Management Information Systems (EMIS)

Teacher Development

Textbook/Instructional Materials Subsidy

State Energy Conservation Grant

Miscellaneous State Grants

Title VI-B

Eisenhower Grant

Preschool Disability Grant

School-To-Work Grant

Capital Projects Fund

SchoolNet

SchoolNet Plus

Technology Equity

Reimbursable Grants

General Fund

Driver Education Reimbursement

Vocational Education Equipment Fund

School Bus Purchase Reimbursement

Capital Projects Fund

Emergency School Building Repair

Enterprise Fund

National School Lunch Program

Government Donated Commodities

I. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as due from other funds and due to other funds.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

J. Fund Balance Reserves

The 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 advances, encumbrances, debt service principal, property taxes, and budget stabilization.

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 money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

K. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type eliminations have not been made in the combining of the data.

L. Concentration of Credit Risk

Financial instruments, which potentially subject the District to concentrations of credit risk, consist primarily of taxes receivable. The District performs evaluations of collections and maintains a reserve for potential credit losses.

M. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences." In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement.

Sick leave benefits are accrued as a liability using the vested method. The liability includes the employees who are currently eligible to receive termination benefits and those employees the 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 District's termination policy.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

N. Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For the other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligation Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District to create a reserve for budget stabilization. See Note 15 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

P. Estimates

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

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, 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 Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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

Investments in stripped principal or interest obligations, reverse purchase 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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand:

At year end, the District had \$200 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents."

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

Deposits:

At the year end, the carrying amount of the District's deposits was \$1,715,794 and the bank balance was \$1,863,390. Of the bank balance:

1. \$ 250,993 was covered by Federal Depository Insurance; and
2. \$1,612,397 was secured by pooled collateral that was held in the pledging financial institution's name. All State statutory requirements for the depositing of money had been followed.

At fiscal year end, the District has \$4,479 in cash and cash equivalents held by the Northwest Ohio Educational Service Center, which is included on the balance sheet as "Cash with Fiscal Agent." The

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Educational Service Center holds this flow through grant money for the District along with that of other school districts and therefore the District cannot classify this money by risk under GASB Statement No. 3.

Investments:

The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the 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 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 District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Amount	Fair Value
Repurchase Agreements	\$ 115,426	\$ 115,426	\$ 115,426
Investment in State Treasurer's Investment Pool		581,496	581,496
Total Investments		\$ 696,922	\$ 696,922

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

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents Deposits	Investments
GASB Statement No. 9 Investments of the Cash Management Pool:	\$ 2,412,716	\$ 0
Repurchase Agreements	(115,426)	115,426
State Treasurer's Investment Pool	(581,496)	581,496
GASB Statement No. 3	\$ 1,715,794	\$ 696,922

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Collection Dates	January and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	April 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

The County Treasurers collect real estate property taxes on behalf of all taxing districts within the Counties of the District. The County Auditors periodically remit to the District its portion of the taxes collected with final settlement in March and September.

The County Treasurers collect personal property taxes on behalf of all taxing districts within the Counties of the District. The County Auditors periodically remit to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 1999. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 1999.

The assessed values of properties upon which property tax revenues were based are as follows:

	<u>Amount</u>
Residential/Agricultural	\$ 49,431,960
Commercial/Industrial	3,944,170
Public Utilities	9,039,580
General Personal Property	<u>8,265,038</u>
Total valuation	<u><u>\$ 70,680,748</u></u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

<u>Asset Category</u>	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/99</u>
Land and land improvements	\$ 201,921	\$ 33,233	\$ 0	\$ 235,154
Buildings	8,719,951	815,885	0	9,535,836
Furniture, fixtures and equipment	1,889,045	215,962	60,205	2,044,802
Motor Vehicles	799,007	0	0	799,007
Text and Library Books	543,329	46,506	18,839	570,996
Totals	<u>\$ 12,153,253</u>	<u>\$ 1,111,586</u>	<u>\$ 79,044</u>	<u>\$ 13,185,795</u>

A summary of Enterprise Fund fixed assets at June 30, 1999 follows:

<u>Asset Category</u>	<u>Balance at 6/30/99</u>
Furniture and Equipment	\$ 163,821
Less: Accumulated Depreciation	<u>(74,606)</u>
Totals	<u>\$ 89,215</u>

NOTE 6 - LONG-TERM OBLIGATIONS

During the year ended June 30, 1999, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	<u>Balance at 7/1/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/99</u>
General obligation bonds	\$3,650,000	\$ 0	\$ 95,000	\$ 3,555,000
SERS and SERS surcharge	47,726	0	648	47,078
Employee benefit obligations	198,172	116,635	0	314,807
Total Long-Term Obligations	<u>\$3,895,898</u>	<u>\$ 116,635</u>	<u>\$ 95,648</u>	<u>\$ 3,916,885</u>

Debt outstanding at June 1999 consisted of General Obligation Bonds totaling \$3,555,000. The bonds were issued in March 1994 and will mature in December 2018. The interest rate at June 30, 1999 was 4.15 percent to 6.15 percent for the general obligation bonds.

Total expenditures for interest for the above debt for the period ended June 30, 1999 was \$211,198.

The scheduled payments of principal and interest on debt outstanding at June 30, 1999 are as follows:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$ 100,000	\$ 207,223	\$ 307,223
2001	105,000	202,890	307,890
2002	110,000	198,185	308,185
2003	115,000	193,093	308,093
2004	120,000	187,628	307,628
thereafter	3,005,000	1,598,231	4,603,231
Total	<u>\$ 3,555,000</u>	<u>\$ 2,587,250</u>	<u>\$ 6,142,250</u>

NOTE 7 - COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 Days. Employees with less than one year of service earn no vacation. Certain employees are permitted to carry over vacation leave if approved by the Superintendent.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 50 days.

At June 30, 1999, the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$27,638 and \$314,807, respectively. The liability for compensated absences in the proprietary funds at June 30, 1999 was \$10,753.

Effective September 1, 1998, the Board implemented a retirement incentive plan (the plan) for all STRS members who meet the eligibility requirements and elect to participate. The plan is in effect until August 31, 2001. STRS members who qualify for the plan must give notice of intent to retire by March 1 of the year in which they become eligible to retire and retire at the end of that school year. Qualifying members who elect to participate receive a service retirement recognition stipend of \$10,000. Qualified members have the option of receiving the stipend in cash payments or a Supplement Early Retirement Plan Annuity.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$456,162, \$590,653, and \$513,509 respectively; 86 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$65,936 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. 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 District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$129,818, \$174,113, and \$163,516 respectively; 54 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$59,802 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligations account group.

NOTE 9 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 1999, the Board allocated employer contributions to equal eight percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$342,123 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1998, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$64,932 during the 1999 fiscal year.

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured. There has been no significant reductions in insurance coverages from last year and settled claims have not exceeded commercial coverage in any of the past three years.

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Worker's Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

NOTE 11 - ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 1999 was as follows:

	Lunchroom/ Cafeteria	Uniform School Supplies	Total Enterprise Funds
Operating revenues	\$ 239,874	\$ 6,602	\$ 246,476
Depreciation	11,284	0	11,284
Operating (loss)	(81,740)	(2,556)	(84,296)
Donated commodities	28,628	0	28,628
Grants	60,502	0	60,502
Interest	2,802	0	2,802
Operating transfers in	0	2,000	2,000
Net income (loss)	10,192	(556)	9,636
Fixed asset additions	1,123	0	1,123
Net working capital	45,261	4,029	49,290
Total assets	193,121	4,029	197,150
Total liabilities	58,645	0	58,645
Total equity	134,476	4,029	138,505

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Wood and Williams counties. 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. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total fees paid by the District to NWOCA during this fiscal year were \$26,434. Financial information can be obtained from Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC for GAAP conversion services during this fiscal year were \$2,750. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Joint Vocational School

The Four County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; one representative from each of the exempted village school districts. The Four County Joint Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Joint Vocational School, Michele Zeedyk, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

NOTE 13 - RELATED ORGANIZATION

Liberty Center Public Library

The Liberty Center Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Liberty Center Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires, and fires personnel, and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Liberty Center Public Library, Christine Engler, Clerk/Treasurer, at 124 East Street, Liberty Center, Ohio 43532.

NOTE 14 - GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$411,524. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$708 to the WCGRP to cover the costs of administering the program.

NOTE 15 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$ 20,234	
Current Year Set-aside Requirement	102,494	102,494	51,247	
Current Year Offsets	(16,827)	0	0	
Qualifying Disbursements	<u>(95,000)</u>	<u>(105,000)</u>	<u>0</u>	
Total	<u>\$ (9,333)</u>	<u>\$ (2,506)</u>	<u>\$ 71,481</u>	
Cash Balance Carried Forward to FY 1999	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 71,481</u>	
Amount restricted for Budget Stabilization				<u>\$ 71,481</u>
Total Restricted Assets				<u>\$ 71,481</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 16 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 1999 consist of the following individual fund receivables and payables:

	Advances Due From Other Funds	Advances Due To Other Funds
General Fund	\$ 24,695	\$ 0
Capital Projects Fund	0	24,695
Total All Funds	<u>\$ 24,695</u>	<u>\$ 24,695</u>

Transfers between funds during the year ended June 30, 1999, were as follows:

	Transfers In	Transfers
General Fund	\$ 0	\$ 48,422
Special Revenue	14,000	0
Capital Projects	30,211	0
Enterprise	2,000	0
Agency	2,211	0
Total All Funds	<u>\$ 48,422</u>	<u>\$ 48,422</u>

NOTE 17 - SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$3,421,473 of school foundation support for its general fund.

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 18 - YEAR 2000 ISSUE

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

The district has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The district contracts with the Northwest Ohio Computer Association (NWOCA), an external service organization, for its financial operations including financial reporting, payroll and employee benefits, and education statistics reporting system. NWOCA is responsible for remediating these systems.

Henry County collects property taxes for distribution to the District. The county is responsible for remediating the tax collection system. The County is solely responsible for any cost associated with the tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and nonfinancial information about the District through EMIS. The State is responsible for remediating these systems.

To the best of management's knowledge and belief, as of January 6, 2000, the District experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$ 0	\$ 22,699	\$ 0	\$ 24,594
National School Lunch Program	047589 03-PU 00	10.555	12,815		12,815	
	047589 04-PU 00		31,593		31,593	
Total Department of Agriculture - Nutrition Cluster			44,408	22,699	44,408	24,594
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)						
	047589 C1-S1 98	84.010	2,189		23,501	
	047589 C1-S1 98C		2,477		2,477	
	047589 C1-S1 99		47,953		41,825	
			52,619	0	67,803	0
Innovative Educational Program Strategies	047589 C2-S1 99	84.298	4,279		4,279	
Drug-Free Schools Grant	047589 DR-S1 98	84.186			1,453	
	047589 DR-S1 99		5,946		3,685	
			5,946	0	5,138	0
Goals 2000 - State and Local Education System Improvement Grants	047589 G2-S5-98 P	84.276			126,667	
Total Department of Education			62,844	0	203,887	0
UNITED STATES DEPARTMENT OF LABOR						
<i>Passed Through Ohio Department of Education:</i>						
School to Work	047589 WK-BE 98	17.249	68,521		70,121	
Total Department of Labor			68,521	0	70,121	0
Totals			\$ 175,773	\$ 22,699	\$ 318,416	\$ 24,594

The accompanying notes are an integral part of this schedule.

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had food commodities valued at \$9,820 in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Liberty Center Local School District
Henry County
103 West Young Street
PO Box 434
Liberty Center, Ohio 43532-0434

To the Board of Education:

We have audited the financial statements of the Liberty Center Local School District, Henry County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the District in a separate letter dated January 21, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 21, 2000.

This report is intended for the information and use of the audit committee, management, the Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 21, 2000



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Liberty Center Local School District
Henry County
103 West Young Street
PO Box 434
Liberty Center, Ohio 43532-0434

To the Board of Education:

Compliance

We have audited the compliance of Liberty Center Local School District, Henry County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 21, 2000

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	CFDA 84.276 - Goals 2000 - State and Local Education System Improvement Grants CFDA 17.249 - Employment Services and Job Training Pilot And Demonstration Programs (School to Work)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-10135-001	Ohio Revised Code § 5705.41(D) improper fiscal officer certification of certain expenditures.	Yes	Finding is no longer valid.



STATE OF OHIO
OFFICE OF THE AUDITOR

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LIBERTY CENTER LOCAL SCHOOL DISTRICT

HENRY 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
FEBRUARY 8, 2000**