



**LIBERTY-UNION THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1998**



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

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**STATE OF OHIO**



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**REPORT OF INDEPENDENT ACCOUNTANTS**

Board of Education  
Liberty Union-Thurston Local School District  
621 Washington Street  
Baltimore, Ohio 43105

We have audited the accompanying general-purpose financial statements of the Liberty Union-Thurston Local School District, Fairfield County, Ohio, (the District) as of and for the year ended June 30, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Liberty Union-Thurston Local School District, Fairfield County, Ohio as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a light blue horizontal line.

**JIM PETRO**  
Auditor of State

February 4, 2000



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

	Governmental Fund Types				Proprietary Fund Type		Fiduciary Fund Type			Account Groups		Totals
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	Totals		
										1998	(Memorandum) (Only)	
<b>Assets and Other Debits:</b>												
Equity in Pooled Cash and Investments	\$ 656,245	102,475	514,333	12,723	35,997	67,030	713,956	0	0	0	\$ 2,102,759	
Restricted Cash	40,658	0	0	0	0	0	0	0	0	0	40,658	
Cash in Segregated Account	0	0	0	0	0	180,112	0	0	0	0	180,112	
Taxes Receivable	2,195,612	42,155	228,102	0	0	0	0	0	0	0	2,465,869	
Prepaid Expense	22,489	0	0	0	0	0	0	0	0	0	22,489	
Intergovernmental Receivables	6,649	0	0	0	0	0	480,114	0	0	0	486,763	
Accounts Receivable	8,768	0	0	0	0	1,490	92,453	0	0	0	102,711	
Supply Inventory	0	0	0	0	1,412	0	0	0	0	0	1,412	
Inventory for Resale	0	0	0	0	9,019	0	0	0	0	0	9,019	
Net Property, Plant & Equipment	0	0	0	0	187,527	0	0	16,333,431	0	0	16,520,958	
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	523,170	0	523,170	
Amount to be Provided for Retirement of GLTD	0	0	0	0	0	0	0	0	2,013,984	0	2,013,984	
<b>Total Assets and Other Debits</b>	<b>\$ 2,930,421</b>	<b>144,630</b>	<b>742,435</b>	<b>12,723</b>	<b>233,955</b>	<b>248,632</b>	<b>1,286,523</b>	<b>16,333,431</b>	<b>2,537,154</b>	<b>\$ 24,469,904</b>		

(Continued)

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS, Continued  
JUNE 30, 1998

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Type		Account Groups		Totals 1998 (Memorandum) (Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	Fixed Assets	General	
<b>Liabilities:</b>										
Intergovernmental Payables	\$ 133,702	2,592	0	0	12,388	0	0	0	43,361	\$ 192,043
Accounts Payable	79,256	4	0	0	0	0	0	0	0	79,260
Accrued Salaries and Benefits	613,038	16,077	0	0	23,332	0	0	0	0	652,447
Deferred Revenue	1,638,631	33,319	219,265	0	8,354	0	0	0	0	1,899,569
Due to Others	0	0	0	0	0	0	19,460	0	0	19,460
Claims Payable	0	0	0	0	0	104,932	1,267,063	0	0	1,371,995
Notes Payable	0	0	0	0	0	0	0	0	183,000	183,000
Bonds Payable	0	0	0	0	0	0	0	0	1,695,000	1,695,000
Compensated Absences Payable	30,834	0	0	0	13,719	0	0	0	615,793	660,346
<b>Total Liabilities</b>	<b>2,495,461</b>	<b>51,992</b>	<b>219,265</b>	<b>0</b>	<b>57,793</b>	<b>104,932</b>	<b>1,286,523</b>	<b>0</b>	<b>2,537,154</b>	<b>6,753,120</b>
<b>Fund Equity and Other Credits:</b>										
Investment in General Fixed Assets	0	0	0	0	0	0	0	16,333,431	0	16,333,431
Contributed Capital	0	0	0	0	208,255	0	0	0	0	208,255
Retained Earnings	0	0	0	0	(32,093)	143,700	0	0	0	111,607
<b>Fund Balances:</b>										
Reserved for Future Appropriation	88,358	8,836	8,836	0	0	0	0	0	0	106,030
Reserved for Encumbrances	17,068	0	0	6,728	0	0	0	0	0	23,796
Reserved for Budget Stabilization	40,658	0	0	0	0	0	0	0	0	40,658
Unreserved Fund Balance	288,876	83,802	514,334	5,995	0	0	0	0	0	893,007
<b>Total Fund Balances</b>	<b>434,960</b>	<b>92,638</b>	<b>523,170</b>	<b>12,723</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,063,491</b>
<b>Total Fund Balances/Retained Earnings and Other Credits</b>	<b>434,960</b>	<b>92,638</b>	<b>523,170</b>	<b>12,723</b>	<b>176,162</b>	<b>143,700</b>	<b>0</b>	<b>16,333,431</b>	<b>0</b>	<b>17,716,784</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 2,930,421</b>	<b>144,630</b>	<b>742,435</b>	<b>12,723</b>	<b>233,955</b>	<b>248,632</b>	<b>1,286,523</b>	<b>16,333,431</b>	<b>2,537,154</b>	<b>\$ 24,469,904</b>

See Accompanying Notes to the General Purpose Financial Statements.



**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 1998**

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum) (Only)
<b>REVENUES:</b>					
Revenue from Local Sources					
Taxes	\$3,019,032	29,507	270,453	0	\$ 3,318,992
Tuition	10,679	0	0	0	10,679
Earnings on Investments	119,432	0	0	0	119,432
Extracurricular Activities	0	139,774	0	0	139,774
Classroom Materials & Fees	44,307	3,346	0	0	47,653
Miscellaneous	11,324	61,033	0	0	72,357
Revenue from State Sources					
Unrestricted Grants-in-Aid	3,863,548	1,962	38,668	6,729	3,910,907
Restricted Grants-in-Aid	0	127,148	0	119,087	246,235
Revenue for/on Behalf of District	28,547	0	0	33,852	62,399
Revenue from Federal Sources					
Unrestricted Grants-in-Aid	1,449	4,976	0	0	6,425
Restricted Grants-in-Aid	0	115,509	0	0	115,509
<b>Total Revenue</b>	<b>7,098,318</b>	<b>483,255</b>	<b>309,121</b>	<b>159,668</b>	<b>8,050,362</b>
<b>EXPENDITURES:</b>					
Instruction					
Regular Instruction	3,468,616	23,894	0	0	3,492,510
Special Instruction	447,589	221,279	0	0	668,868
Vocational Instruction/Other	333,712	0	0	0	333,712
Supporting Services					
Supporting Services-Pupils	218,486	5,000	0	0	223,486
Supporting Services-Instructional Staff	247,341	3,620	0	161,826	412,787
Supporting Services-Board of	40,084	0	0	0	40,084
Supporting Services-Administration	616,496	57,089	0	0	673,585
Fiscal Services	221,320	379	6,127	0	227,826
Operation & Maintenance-Plant	711,934	0	0	0	711,934
Supporting Services-Pupil	399,627	0	0	0	399,627
Supporting Services-Central	0	0	0	0	0
Extracurricular Activities					
Academic & Subject Oriented	8,888	2,144	0	0	11,032
Sports Oriented	161,995	103,507	0	0	265,502
Co-Curricular Activities	4,610	31,208	0	0	35,818
Capital Outlay					
Other Facility Acquisition & Debt Service	101,523	0	0	0	101,523
Repayment of Debt	64,504	0	425,819	0	490,323
<b>Total Expenditures</b>	<b>7,046,725</b>	<b>448,120</b>	<b>431,946</b>	<b>161,826</b>	<b>8,088,617</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	51,593	35,135	(122,825)	(2,158)	(38,255)
Other Financing Sources and Uses:					
Sale & Loss of Assets	100	0	0	0	100
Other Sources	50,977	0	0	0	50,977
Other Uses	(89,321)	0	0	0	(89,321)
<b>Net Other Financing Sources and Uses</b>	<b>(38,244)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(38,244)</b>
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure Disbursement and Other Uses	13,349	35,135	(122,825)	(2,158)	(76,499)
Beginning Fund Balance	421,611	57,503	645,995	14,881	1,139,990
<b>Ending Fund Balance</b>	<b>\$ 434,960</b>	<b>92,638</b>	<b>523,170</b>	<b>12,723</b>	<b>\$ 1,063,491</b>

See Accompanying Notes to the General Purpose Financial Statements.

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 3,010,564	3,010,564	0	20,671	20,671	\$ 0
Tuition	8,924	11,604	2,680	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	107,928	112,129	4,201	0	0	0
Classroom Materials & Fees	0	0	0	139,819	139,819	0
Miscellaneous	44,348	44,348	0	3,346	3,346	0
State Unrestricted Grants-in-Aid	11,022	11,122	100	61,777	61,777	0
State Restricted Grants-in-Aid	3,862,648	3,862,648	0	1,962	1,962	0
State Revenue for/on Behalf of	28,996	28,996	0	127,148	127,148	0
Federal Unrestricted Grants-in-Aid	1,224	1,224	0	4,976	4,976	0
Federal Restricted Grants-in-Aid	0	0	0	115,509	115,509	0
<b>Total Revenue</b>	<b>7,075,654</b>	<b>7,082,635</b>	<b>6,981</b>	<b>475,208</b>	<b>475,208</b>	<b>0</b>
<b>Expenditures:</b>						
Regular Instruction	3,412,877	3,412,877	0	29,646	23,894	5,752
Special Instruction	456,396	456,396	0	241,876	221,099	20,777
Vocational Instruction	330,001	330,001	0	0	0	0
Support Services-Pupils	224,024	224,024	0	5,000	5,000	0
Support Services-Instructional Staff	246,709	246,709	0	3,620	3,620	0
Support Services-Board of	41,405	41,405	0	0	0	0
Support Services-Administration	622,288	622,288	0	76,832	57,100	19,732
Fiscal Services	215,641	215,641	0	379	379	0
Operation & Maintenance-Plant	726,976	726,976	0	0	0	0
Support Services-Transportation	395,902	395,902	0	0	0	0
Academic & Subject Oriented	8,322	8,322	0	3,017	2,144	873
Occupation Oriented Activities	0	0	0	82	0	82
Sports Oriented	161,758	161,758	0	126,027	103,968	22,059
Co-Curricular Activities	4,608	4,608	0	42,156	31,208	10,948
Other Facilities, Acq. & Construction	101,523	101,523	0	0	0	0
Repayment of Debt	64,504	64,504	0	0	0	0
<b>Total Expenditures</b>	<b>7,012,934</b>	<b>7,012,934</b>	<b>0</b>	<b>528,635</b>	<b>448,412</b>	<b>80,223</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>62,720</b>	<b>69,701</b>	<b>6,981</b>	<b>(53,427)</b>	<b>26,796</b>	<b>80,223</b>
<b>Other Financing Sources (Uses):</b>						
Sale & Loss of Assets	100	100	0	0	0	0
Proceeds from Sale of Notes	51,673	51,673	0	612	612	0
Refund of Prior Years Rec/Exp.	(51,893)	(51,893)	0	0	0	0
<b>Total Other Sources (Uses)</b>	<b>(120)</b>	<b>(120)</b>	<b>0</b>	<b>612</b>	<b>612</b>	<b>0</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>62,600</b>	<b>69,581</b>	<b>6,981</b>	<b>(52,815)</b>	<b>27,408</b>	<b>80,223</b>
Beginning Fund Balance	589,787	589,787	0	75,070	75,070	0
Prior Year Carry Over Encumbrances	9,514	9,514	0	0	0	0
<b>Ending Fund Balance</b>	<b>\$ 661,901</b>	<b>668,882</b>	<b>6,981</b>	<b>22,255</b>	<b>102,478</b>	<b>\$ 80,223</b>

(Continued)

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

	Debt Service Fund			Capital Service Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 285,527	285,527	0	0	0	\$ 0
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	37,389	38,668	1,279	6,729	6,729	0
State Restricted Grants-in-Aid	0	0	0	119,087	119,087	0
State Revenue for/on Behalf of	0	0	0	33,852	33,852	0
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grant-in-Aid	0	0	0	0	0	0
<b>Total Revenue</b>	<b>322,916</b>	<b>324,195</b>	<b>1,279</b>	<b>159,668</b>	<b>159,668</b>	<b>0</b>
<b>Expenditures:</b>						
Regular Instruction	0	0	0	0	0	0
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	174,549	168,555	5,994
Support Services-Board of	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	8,459	6,641	1,818	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Occupation Oriented Activities	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Other Facilities, Acq. & Construction	0	0	0	0	0	0
Repayment of Debt	425,820	425,819	1	0	0	0
<b>Total Expenditures</b>	<b>434,279</b>	<b>432,460</b>	<b>1,819</b>	<b>174,549</b>	<b>168,555</b>	<b>5,994</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(111,363)</b>	<b>(108,265)</b>	<b>3,098</b>	<b>(14,881)</b>	<b>(8,887)</b>	<b>5,994</b>
<b>Other Financing Sources (Uses):</b>						
Sale & Loss of Assets	0	0	0	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Refund of Prior Years Rec/Exp.	0	0	0	0	0	0
<b>Total Other Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(111,363)</b>	<b>(108,265)</b>	<b>3,098</b>	<b>(14,881)</b>	<b>(8,887)</b>	<b>5,994</b>
Beginning Fund Balance	622,599	622,599	0	14,881	14,881	0
Prior Year Carry Over Encumbrances	0	0	0	0	0	0
<b>Ending Fund Balance</b>	<b>\$ 511,236</b>	<b>\$ 514,334</b>	<b>3,098</b>	<b>0</b>	<b>5,994</b>	<b>\$ 5,994</b>

(Continued)

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

	Totals (Memorandum Only)		
	Revised	Actual	Variance
	Budget		Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$ 3,316,762	3,316,762	\$ 0
Tuition	8,924	11,604	2,680
Earnings on Investment	0	0	0
Extracurricular Activities	107,928	112,129	4,201
Classroom Materials & Fees	139,819	139,819	0
Miscellaneous	47,694	47,694	0
State Unrestricted Grants-in-Aid	116,917	118,296	1,379
State Restricted Grants-in-Aid	3,983,697	3,983,697	0
State Revenue for/on Behalf of	189,996	189,996	0
Federal Unrestricted Grants-In-Aid	6,200	6,200	0
Federal Restricted Grants-in-Aid	115,509	115,509	0
<b>Total Revenue</b>	<b>8,033,446</b>	<b>8,041,706</b>	<b>8,260</b>
<b>Expenditures:</b>			
Regular Instruction	3,442,523	3,436,771	5,752
Special Instruction	698,272	677,495	20,777
Vocational Instruction	330,001	330,001	0
Support Services-Pupils	229,024	229,024	0
Support Services-Instructional Staff	424,878	418,884	5,994
Support Services-Board of	41,405	41,405	0
Support Services-Administration	699,120	679,388	19,732
Fiscal Services	224,479	222,661	1,818
Operation & Maintenance-Plant	726,976	726,976	0
Support Services-Transportation	395,902	395,902	0
Academic & Subject Oriented	11,339	10,466	873
Occupation Oriented Activities	82	0	82
Sports Oriented	287,785	265,726	22,059
Co-Curricular Activities	46,764	35,816	10,948
Other Facilities, Acq.& Construction	101,523	101,523	0
Repayment of Debt	490,324	490,323	1
<b>Total Expenditures</b>	<b>8,150,397</b>	<b>8,062,361</b>	<b>88,036</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(116,951)</b>	<b>(20,655)</b>	<b>96,296</b>
<b>Other Financing Sources (Uses):</b>			
Sale & Loss of Assets	100	100	0
Proceeds from Sale of Notes	52,285	52,285	0
Refund of Prior Years Rec/Exp.	(51,893)	(51,893)	0
<b>Total Other Sources (Uses)</b>	<b>492</b>	<b>492</b>	<b>0</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(116,459)</b>	<b>(20,163)</b>	<b>96,296</b>
Beginning Fund Balance	1,302,337	1,302,337	0
Prior Year Carry Over Encumbrances	9,514	9,514	0
<b>Ending Fund Balance</b>	<b>\$ 1,195,392</b>	<b>1,291,688</b>	<b>\$ 96,296</b>

See Accompanying Notes to the General Purpose Financial Statements.

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES  
YEAR ENDED JUNE 30, 1998**

	Proprietary Fund Types		Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	
<b>Operating Revenues:</b>			
Food Service	\$ 240,572	0	\$ 240,572
Extracurricular Activities	0	33,066	33,066
Charges for Services	0	666,268	666,268
Miscellaneous	0	181,339	181,339
<b>Total Operating Revenue</b>	<b>240,572</b>	<b>880,673</b>	<b>1,121,245</b>
<b>Operating Expenses:</b>			
Personal Services - Salary	120,834	0	120,834
other expenses	64,683	0	64,683
Purchased Services	6,431	39,255	45,686
Supplies and Materials	146,466	380	146,846
employee benefits	509	717,995	718,504
Depreciation	5,868	0	5,868
<b>Total Operating Expenses</b>	<b>344,791</b>	<b>757,630</b>	<b>1,102,421</b>
<b>Operating Income (Loss)</b>	<b>(104,219)</b>	<b>123,043</b>	<b>18,824</b>
<b>Non-Operating Revenues:</b>			
State Unrestricted Grants-In-Aid	3,416	0	3,416
Other Sources	857	0	857
Federal Unrestricted Grants-In-Aid	2,374	0	2,374
Federal Restricted Grants-In-Aid	84,235	0	84,235
<b>Total Non-Operating Revenues</b>	<b>90,882</b>	<b>0</b>	<b>90,882</b>
<b>Non-Operating Expenses:</b>			
Loss on Disposal of Assets	1,341	0	1,341
<b>Total Non-Operating Expenses</b>	<b>1,341</b>	<b>0</b>	<b>1,341</b>
<b>Net Income (Loss)</b>	<b>(14,678)</b>	<b>123,043</b>	<b>108,365</b>
<b>Beginning Retained Earnings</b>	<b>(17,415)</b>	<b>20,657</b>	<b>3,242</b>
<b>Retained Earnings at End of Year</b>	<b>\$ (32,093)</b>	<b>143,700</b>	<b>\$ 111,607</b>

See Accompanying Notes to the General Purpose Financial Statements.

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
YEAR ENDED JUNE 30, 1998**

	Proprietary Fund Types		Totals (Memorandum (Only))
	Enterprise Funds	Internal Service Funds	
<b>Cash Flows from Operating Activities</b>			
Operating Gain (Loss)	\$ (104,219)	123,043	\$ 18,824
<b>Adjustment to Reconcile Operating Gain (Loss)</b>			
<b>To Net Cash used in Operating Activities:</b>			
Depreciation	5,868	0	5,868
<b>Net (Increase) Decrease in Assets:</b>			
Cash with Fiscal Agent	0		0
Accounts Receivable	64	(1,228)	(1,164)
Inventory	3,899	0	3,899
<b>Net Increases (Decreases) in Liabilities:</b>			
Intergovernmental Payable	4,798	0	4,798
Deferred Revenue	(4,560)	0	(4,560)
Claims Payable	0	96,545	96,545
Accrued Wages and Benefits	192	0	192
Compensated Absences	(747)	0	(747)
<b>Total Adjustments</b>	<u>9,514</u>	<u>95,317</u>	<u>104,831</u>
<b>Net Cash Used in Operating Activities</b>	<b>(94,705)</b>	<b>218,360</b>	<b>123,655</b>
<b>Cash Flows from Noncapital Activities:</b>			
Other Sources	857	0	857
Operating Grants from State Sources	3,416	0	3,416
Operating Grants from Federal Sources	<u>86,609</u>	<u>0</u>	<u>86,609</u>
<b>Net Cash Provided by Noncapital Financing Sources</b>	<b>90,882</b>	<b>0</b>	<b>90,882</b>
<b>Cash Flows from Capital Financing Sources:</b>			
Acquisition of Capital Assets	<u>(1,827)</u>	<u>0</u>	<u>(1,827)</u>
<b>Net Cash Provided by Capital Financing Sources</b>	<b>(1,827)</b>	<b>0</b>	<b>(1,827)</b>
<b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>	<b>(5,650)</b>	<b>218,360</b>	<b>212,710</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>41,647</u>	<u>28,782</u>	<u>70,429</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 35,997</u></u>	<u><u>247,142</u></u>	<u><u>\$ 283,139</u></u>
 <b>Supplemental Information</b>			
Non-Cash Activities - Donated Commodities	<u><u>\$ 19,092</u></u>		

See Accompanying Notes to the General Purpose Financial Statements.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Liberty Union-Thurston School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The 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. The District is a local District as defined by Section 3311.03 of the 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.

Average daily membership (ADM) as of October 1, 1997, was 1,393. The District employed 5 administrative and supervisory personnel, 84 certified employees and 47 non-certificated employees. The District is supervised by the Fairfield County Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, The Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the district is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of a reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

The District is associated with four jointly governed organizations. These organizations are discussed in Note 15 to the general purpose financial statements.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

**B. Fund Accounting**

The 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 government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

**Governmental Fund Types:**

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

**General Fund**

This fund 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 District for any purpose provided it is expended or transferred according to the bylaws of the District and the laws of the State of Ohio.

**Special Revenue Funds**

These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

**Debt Service Fund**

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.



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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting (Continued)**

**Governmental Fund Types: (Continued)**

**Capital Projects Funds**

These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

**Proprietary Fund Types:**

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

**Enterprise Funds**

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

**Internal Service Funds**

These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

**Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

**Expendable Trust Funds**

These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The District currently has none.

**Nonexpendable Trust Funds**

These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District currently has no nonexpendable trust funds.

**Agency Funds**

These funds are purely custodial and thus do not involve measurement of results of operations.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting (Continued)**

**Account Groups:**

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

**General Fixed Assets Account Group**

This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

**General Long-Term Debt Account Group**

This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

**C. Measurement Focus/Basis of Accounting**

The modified accrual basis of accounting is followed for Governmental 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 the 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.
- 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 may include book fines, fees, interest and tuition.
  - b) Property taxes measurable as of June 30, 1998 and delinquent property taxes, whose availability is indeterminate, and are not intended to finance fiscal year 1998 operations, 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.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus/Basis of Accounting (Continued)**

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. Pursuant to GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting" the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

**D. Budget and Budgetary Accounting**

All governmental and proprietary fund types are subject to annual expenditures budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.
- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts three month temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, Superintendent, and the Board of Education. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (Non GAAP Basis)--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP basis are that:

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budget and Budgetary Accounting (Continued)**

2. Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**Encumbrances**

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

**E. Cash and Investments**

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. 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 Investments". During the fiscal year all investments were limited to STAR Ohio, certificates of deposit and repurchase agreements.

Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at amortized cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1997-98. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1998.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrued to the General Fund as authorized by board resolution. Interest income earned in fiscal year 1998 totaled \$119,432.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Taxes Receivable**

The financial statements reflect taxes receivable as of June 30, 1998. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available". "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 1998 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

**G. Inventories**

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1998 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed. Some examples of prepaid items are: equipment maintenance agreements, vehicle insurance, liability insurance, and building and contents insurance.

**I. Fixed Assets**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction 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 proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives (five to twenty years for machinery, equipment and vehicles) of the related fixed assets, as applicable. The District maintains a capitalization threshold of three hundred dollars for general fixed assets. No threshold is used for proprietary fixed assets. The District does not possess any infrastructure.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Intergovernmental Revenues**

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

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

**Entitlements:**

**General Fund**

- State Foundation Program
- School Bus Funding
- Homestead and Rollback Property Tax State Subsidy

**Capital Project Funds**

- School Net and School Net Plus

**Special Revenue Funds**

- Educational Management Information Systems
- Tech Equity Grant

**Non-Reimbursable Grants:**

**Special Revenue Funds**

- Career Education
- Title I
- Title VI
- Reading Recovery
- Data Communications
- Local Professional Development

**Reimbursable Grants:**

**General Fund**

- Driver Education Reimbursement
- Tutor Reimbursement
- Vocational Education Reimbursement
- CAFS

**Proprietary Funds**

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 53% of the District's operating revenue during the 1998 fiscal year.

**K. Short-Term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds". Short-term interfund loans are classified as "interfund receivables/payables". At June 30, 1998, the District had no "Due to Other Funds" and no "Interfund Receivables/Payables".

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Restricted Cash**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998, the District received a \$40,658 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. This refund is presented as "other revenue" in the accompanying financial statements. A fund balance reserve (budget stabilization) has also been established.

**M. Compensated Absences**

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with fifteen or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned.

The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available 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 debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

**N. Contributed Capital**

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. 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 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 debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**P. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, 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.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Q. Fund Balance Reserves**

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for future appropriation, encumbrances and budget stabilization.. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

**R. Memorandum Only - Total Columns**

Total columns on the general purposes financial statements are captioned "Memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows 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.

**S. 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.



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

**2. BUDGETARY BASIS OF ACCOUNTING**

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types				
	General Fund	Special Revenue	Debt Service	Capital Project
GAAP Basis	\$ 13,349	35,135	(122,825)	\$ (2,158)
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue	(15,683)	(8,047)	15,074	0
Due to Expenditures:				
Net Adjustments to Expenditure	33,791	(292)	(514)	(6,729)
Due to Other Sources/Uses	38,124	612	0	0
Budget Basis	\$ 69,581	27,408	(108,265)	\$ (8,887)

**3. 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 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 accounts, including passbook accounts.

Protection of the 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 money deposited with the institution.

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

**3. CASH AND INVESTMENTS (Continued)**

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;
2. Bonds, notes, debentures, or any other obligations or 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 issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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 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.

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 year end, the carrying amount of the District's deposits was \$93,027 and the bank balance was \$473,971. Of the bank balance:

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

**3. CASH AND INVESTMENTS (Continued)**

1. \$171,029 was covered by federal depository insurance; and
2. \$302,942 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**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 are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category			Reported Amount	Fair Value
	1	2	3		
School Bus Notes	\$ 88,000	0	\$ 0	\$ 88,000	\$ 88,000
Repurchase Agreements	0	0	608,902	608,902	608,902
STAR Ohio				1,353,488	1,353,488
Total Investments				<u>\$ 2,050,390</u>	<u>\$ 2,050,390</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable 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	Investments
GASB Statement No.9	\$ 2,143,417	\$ 0
Investments:		
School Bus Notes	(88,000)	88,000
Repurchase Agreements	(608,902)	608,902
STAR Ohio	(1,353,488)	1,353,488
Total Cash and Cash Equivalents	<u>\$ 93,027</u>	<u>\$ 2,050,390</u>

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

**4. SCHOOL INCOME TAX**

The District currently benefits from a 1.25% income Tax, which is assessed on all residents of the District.

In the year ended June 30, 1998, the income tax generated \$1,287,144. The District apportions all the proceeds to the general fund.

**5. PROPERTY TAX**

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Fairfield County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1995, an update was done in 1998. The next revaluation is scheduled for 2001. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Fairfield County Treasurer collects property tax on behalf of the District. The Fairfield County Auditor remits to the District the taxes collected. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 1998 for operations was \$42.90 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 1998 taxes were collected were as follows:

Real Property-Residential/Agricultural	\$ 7,700,750
Real Property-Public Utility	68,698,920
Real Property-Commercial/Industrial	42,580
Real Property-Minerals	55,380
Personal Property-General	7,417,280
Personal Property-Public Utility	<u>3,795,710</u>
Total Assessed Value	<u><u>\$ 87,710,620</u></u>

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

**6. RECEIVABLES**

Receivables at June 30, 1998 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. 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 guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Drivers Education Subsidy	\$ 2,500
CAFS	224
Vocational Education Subsidy	3,600
Special Education Tuition	325
Trust and agency	<u>480,114</u>
Total	<u>\$ 6,649</u>

**7. FIXED ASSETS**

The following is a summary of the proprietary funds property, plant and equipment at June 30, 1998:

Furniture and Equipment	\$ 319,958
Less Accumulated Depreciation	<u>(132,431)</u>
Net Fixed Assets	<u>\$ 187,527</u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1998 (as restated, note 21):

	General Fixed Assets June 30, 1997	Additions	Deletions	General Fixed Assets June 30, 1998
Land and Improvements	\$ 266,270	0	0	\$ 266,270
Buildings	12,529,961	0	0	12,529,961
Furniture and Equipment	2,579,004	72,320	3,379	2,647,945
Vehicles	840,621	48,634	0	889,255
Total General Fixed Assets	<u>\$ 16,215,856</u>	<u>120,954</u>	<u>3,379</u>	<u>\$ 16,333,431</u>

There was no significant construction in progress at June 30, 1998.

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

**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 defined benefit pension plan 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.

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, 1998, 1997, and 1996 were \$536,064, \$478,200 and \$449,160, respectively; 82.4 percent has been contributed for fiscal year 1998 and 100 percent for fiscal years 1997 and 1996. \$94,272 representing the unpaid contribution for fiscal year 1998, 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. For fiscal year 1998, 9.79 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 District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$120,486, \$113,130, and \$106,740, respectively; 44 percent has been contributed for fiscal year 1998 and 100 percent for fiscal years 1997 and 1996. \$73,508 representing the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 1998, no members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

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

**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. Through June 30, 1997, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the District, this amount equaled \$134,016 during fiscal 1998.

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

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, 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 4.21 percent of covered payroll, an increase from 3.5 percent for fiscal year 1997. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1997, were \$97,429,197 and the target level was \$121.8 million. At June 30, 1997, SERS had net assets available for payment of health care benefits of \$146.4 million. SERS has approximately 48,200 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$29,721 during the 1998 fiscal year.

**10. COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements, Board policies and State laws. Only Administrative and support personnel who are under a full year contract (11 and 12 months) are eligible for vacation time. The administrators are granted days of vacation per year as follows:

<u>Years Service</u>	<u>Vacation Days</u>
1 - 2	12
3 -9	15
10+	20

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

**10. COMPENSATED ABSENCES (Continued)**

Classified employees earn ten to twenty five 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.

The Classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
0-10	10
10-15	15
15-20	20
20+	25

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for severance for classified employees and administrators is 250 days and for certified employees it is 250 days.

Retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any teacher, administrator or classified union employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 62.5 days. Non-union classified employees receive retirement severance pay equivalent to one-third of all accumulated sick leave credited to that employee up to 62.5 days. In addition, teachers and administrators have the following severance incentive: In the school year the employee reaches thirty (30) years of experience, the employee shall receive an addition of 22.5 days severance pay, up to a maximum of 82.5 total, if the employee retires at thirty years service.

**11. RISK MANAGEMENT**

**A. General Risk**

The 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. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate. In addition, The District maintains a \$50,000 worker's compensation defense cost liability policy.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$17,311,400. Other property insurance includes \$435,000 for electronic data processing and \$125,569 for musical instrument, related equipment and accessories.



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

**11. RISK MANAGEMENT (Continued)**

**A. General Risk (Continued)**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**B. Health Insurance**

The District has established an internal service "self-insurance" fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs. This self-insurance fund was established July, 1992 for the purpose of accumulating balances sufficient to self-insure basic medical, dental, vision, and prescription drug coverage and permit excess umbrella coverage for claims over a pre-determined level. Board and employee premium contributions are determined by negotiated agreement. Amounts are paid into this fund from the General Fund, Lunchroom Fund, and certain Special Revenue Funds (Grants). Claims payments are made on an as-incurred basis, thus no "reserve" remains with the insurance carrier. Effective July 1, 1997, the District terminated the independent carrier for self-insurance for basic medical, and prescription drug coverage and joined the South Central Ohio Insurance Consortium. The District continues to maintain an independent self-insurance fund for dental coverage.

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$104,932 at June 30, 1998.

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

**11. RISK MANAGEMENT (Continued)**

**B. Health Insurance (Continued)**

A summary of changes in self-insurance claims for the year ended June 30, 1998:

Claim Liabilities at June 30, 1997	\$	8,387
Incurred Claims		628,420
Claims Paid		(531,875)
Claim Liabilities at June 30, 1998	\$	<u>104,932</u>

In July, 1997, the District joined the South Central Ohio Insurance Consortium (SCOIC) to self insure its medical claims. SCOIC currently includes eight member school districts, one educational service center and one city government member. The District serves as the fiscal agent for the consortium, the District has established an agency fund to record the activity of the consortium. Contributions are determined by the consortium's board of directors and are remitted monthly to the consortium's fiscal agent, who then pays all incurred claims. Thus actual cash "reserves" are held by the fiscal agent.

The following is a summary of the medical claims liability for the consortium:

Berne Union Local School District	\$	58,248
Bloom-Carroll Local School District		45,018
Canal Winchester Local School District		95,269
Fairfield County Educational Service Center		11,314
Fairfield Union Local School District		151,993
Lancaster City		388,721
Liberty Thurston-Union Local School District		95,432
Miami Trace Local School District		89,379
Morgan County Local School District		224,262
Vinton County Local School District		<u>107,427</u>
Total Claims Liability		<u>\$1,267,063</u>

Professional Risk Management, Inc., a third party administrator, services all health / medical claims submitted by employees. An excess coverage insurance policy covers individual claims for the District in excess of \$30,000 and \$2,000,000 lifetime maximum, per employee consortium wide.

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

**12. LONG-TERM DEBT**

A summary of changes in long-term obligations for the year ended June 30, 1998, are as follows:

	Balance			Balance
	July 1, 1997	Additions	Deletions	June 30, 1998
Intergovernmental Payable	\$ 45,103	43,361	45,103	\$ 43,361
General Obligation Notes Payable	242,000	0	59,000	183,000
General Obligation Bonds Payable	1,905,000	0	210,000	1,695,000
Loan Payable	121,324	0	121,324	0
State Construction Loan	3,158,655	0	3,158,655	0
Compensated Absences Payable	683,476	615,793	683,476	615,793
<b>Total</b>	<u><u>\$ 6,155,558</u></u>	<u><u>659,154</u></u>	<u><u>4,277,558</u></u>	<u><u>\$ 2,537,154</u></u>

**General Obligation Notes Payable:**

The annual maturities of the general obligation notes (Energy Conservation Notes) as of June 30, 1998, and related interest payments are as follows:

	Principal	Interest	Payment
FY99	\$ 15,000	5,320	\$ 20,320
FY2000	15,000	4,480	19,480
FY2001	15,000	3,640	18,640
FY2002	15,000	2,800	17,800
FY2003 & Thereafter	35,000	3,080	38,080
	<u><u>\$ 95,000</u></u>	<u><u>19,320</u></u>	<u><u>\$ 114,320</u></u>

In August, 1997, the Board of Education authorized the issuance of notes in the amount of \$220,000 to fund the purchase of five buses. The notes were purchased by the District's Debt Service Fund with no interest expense. The notes mature June 1, 2000.

The annual maturities of the general obligation notes as of June 30, 1998 are as follows:

	Payment
FY99	\$ 44,000
FY2000	44,000
<b>Total</b>	<u><u>\$ 88,000</u></u>

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

**12. LONG-TERM DEBT (Continued)**

**General Obligation Bonds Payable:**

The \$1,695,000 of outstanding general obligation bond relate to two projects. In 1976, bonds were issued for the purpose of remodeling and equipping the middle school building and improving the site thereof. The bonds were issued for \$1,610,000 at 6.5% interest and mature December, 1998. In 1986, bonds were issued for the purpose of remodeling and equipping the high school and general district remodeling. The bonds were issued for \$3,105,000 at 7.5% interest and mature December, 2009.

These bonds are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof.

The annual maturities of the general obligation bonds as of June 30, 1998, and related interest payments are as follows:

	Principal	Interest	Payment
FY99	\$ 210,000	118,875	\$ 328,875
FY2000	135,000	106,312	241,312
FY2001	135,000	96,187	231,187
FY2002	135,000	86,062	221,062
FY2003 and thereafter	1,080,000	324,000	1,404,000
	<u>\$ 1,695,000</u>	<u>731,436</u>	<u>\$ 2,426,436</u>

**State Construction Loan:**

In 1985, the District received a \$3,890,598 interest free loan from the State of Ohio for the construction of classroom facilities. The previous outstanding balance of \$3,158,655 was forgiven by the State of Ohio.

**Debt Limitation:**

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt, the District 's unvoted debt limit is \$87,711. The voted debt limit at June 30, 1998 is \$7,893,956.

**13. FUND DEFICITS/RETAINED EARNINGS**

Fund Deficits/Retained Earnings:

Retained earnings at June 30, 1998, included the following individual deficits:

Enterprise Fund:

Lunchroom Fund (\$ 32,093)

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

**13. FUND DEFICITS/RETAINED EARNINGS (Continued)**

The Lunchroom Fund deficit resulted from adjustments for accrued liabilities. The general fund is liable for any deficits and provides operating transfers when cash is required, not when accruals occur.

**14. SEGMENTS OF ENTERPRISE ACTIVITIES**

Key financial data for the District's Enterprise Funds for the year ended June 30, 1998, are as follows:

	Lunchroom Fund
Operating Revenues	\$ 240,572
Operating Expenses:	
Depreciation	(5,868)
Other Expenses	(338,923)
Total Operating Expenses	(344,791)
Operating Loss	(104,219)
Non Operating Revenues and	
State and Federal Grants	90,025
Other Sources	857
Loss on Disposal of Assets	(1,341)
Net Loss	\$ (14,678)
Net Working Capital	\$ (3,011)
Total Assets	\$ 233,955
Contributed Capital	\$ 208,255
Retained Earnings	\$ (32,093)

**15. JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOLS**

**Metropolitan Educational Council** - MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District.

**South Central Ohio Insurance Consortium** - The South Central Ohio Insurance Consortium (SCOIC) is a Regional Council of Governments organized under Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District serves as the fiscal agent for the SCOIC. The District does not have an ongoing financial interest in or ongoing financial responsibility for the SCOIC other than claims paid on behalf of the District for District employees.

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

**15. JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOLS (Continued)**

**Fairfield County Council for Educational Collaboration** - The Fairfield County Council of Educational Collaboration (FCCEC) is a not-for-profit Council of Governments owned and operated by certain Boards of Education and institutions of higher education within Fairfield County.

The purpose of the FCCEC is to bring together the public school systems and the public institution for higher education in Fairfield County so they can collectively devise and provide for enhanced educational opportunities for the students and citizens of the community. The areas of interest that may be addressed by the FCCEC include, but are not limited to, student programming, school management issues, and any other collaborative projects deemed appropriate by the governing body of the FCCEC. The FCCEC is not dependent upon the continued participation of the District and the District does not maintain any equity interest in or financial responsibility for the FCCEC.

**Central Ohio Special Education Regional Resource Center** - The Central Ohio Special Education Regional Resource Center (COSERC) is a not-for-profit Council of Governments of various school districts in Central Ohio. The District participates in services that assist the District in complying with Mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the District. COSERC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for COSERC.

**Public Entity Risk Pools:**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**16. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement 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 District at June 30, 1998.

**B. Litigation**

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 1998.

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

**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 State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1998, the District received \$3,272,227 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the General Assembly in an attempt to address the issues identified by the Court.

The Court of Common Pleas in Perry County is currently reviewing the new laws, and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of February 4, 2000, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and as such, school districts are still operating under the laws that the 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.

**18. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 1998, the District has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools." The statement established accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now reported at fair value. The implementation did not have a material effect at June 30, 1998

**19. SUBSTITUTE HOUSE BILL 412**

Substitute House Bill 412, as amended by A.S.H.B. 770, requires school districts to set aside certain percentages of defined revenues for (1) a textbook and instructional materials "fund", (2) a capital and maintenance "fund" and (3) a budget reserve "fund". It also requires five year budget projections, amended the fiscal watch and fiscal emergency statutes, created a state school district solvency fund, and amended "spending reserve" provisions. No set aside was required for fiscal 1998, the District has implemented these requirements effective with the 1998-1999 fiscal year.

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

**20. RESTATEMENT OF FIXED ASSETS**

In prior years, the District reported assets ignoring the capitalization threshold. The effect of this correction for the year ended June 30, 1997 is as follows:

	General Fixed Assets June 30, 1997	Restatement	General Fixed Assets June 30, 1997
Land and Improvements	\$ 266,270	0	\$ 266,270
Buildings	12,529,961	0	12,529,961
Furniture and Equipment	2,924,305	(345,301)	2,579,004
Vehicles	840,621	0	840,621
Total General Fixed Assets	<u>\$ 16,561,157</u>	<u>(345,301)</u>	<u>\$ 16,215,856</u>





**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

Board of Education  
Liberty Union-Thurston Local School District  
621 Washington Street  
Baltimore, Ohio 43105

We have audited the financial statements of Liberty Union-Thurston Local School District, Fairfield County, Ohio, (the District) as of and for the year ended June 30, 1998, and have issued our report thereon dated February 4, 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 management of the District in a separate letter dated February 4, 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.

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

A handwritten signature in black ink, appearing to read 'Jim Petro', with a large, sweeping flourish at the end.

**JIM PETRO**  
Auditor of State

February 4, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR

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**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT - 1998**

**FAIRFIELD 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  
MARCH 14, 2000**