



**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA
Auditor of State

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

Table of Contents

Title	Page
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	16
Statement of Fiduciary Assets and Liabilities – Agency Funds.....	17
Notes to the Basic Financial Statements	18
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Benton Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Benton Local School District, Hancock County, Ohio, as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparisons for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2008 and April 24, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying 2006 disclosures in Management's Discussion and Analysis replaces the 2006 disclosures for the District, previously issued with our report dated January 18, 2008. The disclosures were revised to include a prior period restatement that was included in the 2007 disclosures but was previously omitted from the 2006 disclosures.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 18, 2008 except for the last paragraph for which the date is April 24, 2008

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited**

The discussion and analysis of Liberty Benton Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Highlights for fiscal year 2007 were as follows:

- Net assets increased \$322,454, almost 3 percent but not a significant change.
- General revenues were \$11,623,836, or 88 percent of total revenues, and demonstrate the District's significant dependence on property and income taxes as well as State funding.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Liberty Benton Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in a single column.

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the District's activities are reflected as governmental activities. The programs and services reported here include instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property and income tax revenues as well as unrestricted State entitlements.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major funds are the General Fund and the Bond Retirement Fund.

Governmental Funds - All of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2007 and fiscal year 2006:

Table 1 Net Assets		Governmental Activities	
	2007	2006	Change
<u>Assets</u>			
Current and Other Assets	\$12,668,368	\$12,448,402	\$219,966
Capital Assets, Net	10,524,779	10,168,545	356,234
Total Assets	23,193,147	22,616,947	576,200
<u>Liabilities</u>			
Current and Other Liabilities	5,823,666	5,463,724	(359,942)
Long-Term Liabilities	5,159,818	5,266,014	106,196
Total Liabilities	10,983,484	10,729,738	(253,746)
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	7,446,352	6,577,053	869,299
Restricted	557,250	555,200	2,050
Unrestricted	4,206,061	4,754,956	(548,895)
Total Net Assets	\$12,209,663	\$11,887,209	\$322,454

A review of the above table reveals the only significant change from the prior fiscal year is reflected in invested in capital assets and unrestricted net assets as unrestricted resources were used for construction of a concession/restroom/storage facility.

Table 2 reflects the change in net assets for fiscal year 2007 and fiscal year 2006.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

Table 2
Change in Net Assets

	Governmental Activities		
	2007	2006	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$554,231	\$520,899	\$33,332
Operating Grants, Contributions, and Interest	994,763	955,690	39,073
Capital Grants and Contributions	28,679		28,679
Total Program Revenues	<u>1,577,673</u>	<u>1,476,589</u>	<u>101,084</u>
General Revenues			
Property Taxes	4,296,688	4,371,480	(74,792)
Income Taxes	1,311,416	1,174,776	136,640
Payment in Lieu of Taxes	1,788		1,788
Grants and Entitlements	5,412,108	5,159,344	252,764
Interest	436,571	262,920	173,651
Gifts and Donations	2,677	5,545	(2,868)
Miscellaneous	162,588	73,839	88,749
Total General Revenues	<u>11,623,836</u>	<u>11,047,904</u>	<u>575,932</u>
Total Revenues	<u>13,201,509</u>	<u>12,524,493</u>	<u>677,016</u>
<u>Expenses</u>			
Instruction:			
Regular	5,853,934	4,676,629	(1,177,305)
Special	991,187	839,558	(151,629)
Vocational	368,416	344,119	(24,297)
Adult/Continuing	448		(448)
Other		526,004	526,004
Support Services:			
Pupils	899,011	832,699	(66,312)
Instructional Staff	647,981	425,758	(222,223)
Board of Education	7,749	10,312	2,563
Administration	802,345	763,248	(39,097)
Fiscal	279,196	269,434	(9,762)
Business	1,580	1,653	73
Operation and Maintenance of Plant	1,047,605	1,196,719	149,114
Pupil Transportation	541,085	528,776	(12,309)
Central	131,953	137,442	5,489
Non-Instructional Services	450,893	417,090	(33,803)
Extracurricular Activities	430,304	408,567	(21,737)
Interest and Fiscal Charges	425,368	398,785	(26,583)
Total Expenses	<u>12,879,055</u>	<u>11,776,793</u>	<u>(1,102,262)</u>
Increase in Net Assets	322,454	747,700	(425,246)
Net Assets at Beginning of Year	11,887,209	11,139,509	747,700
Net Assets at End of Year	<u>\$12,209,663</u>	<u>\$11,887,209</u>	<u>\$322,454</u>

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

Total revenues increased just over 5 percent from the prior fiscal year, with modest increases in income taxes, grants and entitlements, and a significant increase in interest revenue.

Total expenses increased 18 percent, which is primarily attributable to increased personnel costs as almost all program expenses increased from fiscal year 2006. As is to be expected, instruction programs are the District's largest expense, accounting for 56 percent of all governmental activities expenses. Combined with the support services related to instruction, such as pupils, instructional staff, operation and maintenance of plant, and pupil transportation, 80 percent of all of the District's expenses are directly related to delivering education and maintaining facilities.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported primarily from tax revenues.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction:				
Regular	\$5,853,934	\$4,676,629	\$5,661,923	\$4,487,377
Special	991,187	839,558	268,377	385,311
Vocational	368,416	344,119	325,206	344,119
Adult/Continuing	448		448	
Other		526,004		526,004
Support Services:				
Pupils	899,011	832,699	881,405	594,097
Instructional Staff	647,981	425,758	647,981	406,781
Board of Education	7,749	10,312	7,749	10,312
Administration	802,345	763,248	802,345	758,888
Fiscal	279,196	269,434	279,196	269,434
Business	1,580	1,653	1,580	1,653
Operation and Maintenance of Plant	1,047,605	1,196,719	1,047,605	1,196,719
Pupil Transportation	541,085	528,776	509,631	509,078
Central	131,953	137,442	131,953	132,442
Non-Instructional Services	450,893	417,090	(11,841)	(21,563)
Extracurricular Activities	430,304	408,567	322,456	300,767
Interest and Fiscal Charges	425,368	398,785	425,368	398,785
Total Expenses	\$12,879,055	\$11,776,793	\$11,301,382	\$10,300,204

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

The table demonstrates that 88 percent of all of the District's costs for fiscal year 2007 were provided for through general revenues. For fiscal year 2006 and fiscal year 2007, all of the costs of the non-instructional program were paid for through cafeteria sales, state and federal subsidies, and donated commodities for food service operations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. While fund balance increased for both of the District's major funds, the General Fund and the Bond Retirement Fund, neither increase was significant.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2007, the District amended its General Fund budget as needed. For both revenues and expenditures, changes from the original budget to the final budget and from the final budget to actual revenues and expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the District had \$10,524,779 invested in capital assets (net of accumulated depreciation). The most significant addition to capital assets in fiscal year 2007 was the construction on the new concession/restroom/storage facility. For further information regarding the District's capital assets, refer to Note 8 to the basic financial statements.

Debt

At June 30, 2007, the District had outstanding general obligation bonds, in the amount of \$4,534,857. The District's long-term obligations also include compensated absences. For further information regarding the District's long-term obligations, refer to Note 13 to the basic financial statements.

Current Issues

Liberty Benton Local School District is comprised of portions of Blanchard, Eagle, and Liberty Townships. It has a number of small and medium size businesses with agriculture having a contributing influence on the local economy.

The District relies primarily on local property taxes and income taxes as well as State foundation funding. Approximately 47 percent of District's revenue sources are from local funds, 49 percent from State funds, and the remaining 4 percent is from federal funds. The total expenditure per pupil was calculated at \$8,232 for fiscal year 2007.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

Over the past several years, the District has been in a stable financial position; however, future finances are not without challenges as our community changes and State funding is revised, as well as considering the effects of public utility deregulation and the reduction of personal property for business inventory.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Lisa Dobbins, Treasurer, Liberty Benton Local School District, 9190 CR 9, Findlay, Ohio 45840-8811.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Net Assets
June 30, 2007**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$7,222,548
Cash and Cash Equivalents with Escrow Agents	19,432
Accounts Receivable	29,137
Accrued Interest Receivable	48,924
Intergovernmental Receivable	65,148
Income Taxes Receivable	614,589
Prepaid Items	25,766
Inventory Held for Resale	5,376
Materials and Supplies Inventory	7,023
Property Taxes Receivable	4,629,531
Payment in Lieu of Taxes Receivable	894
Nondepreciable Capital Assets	1,405,467
Depreciable Capital Assets, Net	9,119,312
Total Assets	<u>23,193,147</u>
 <u>Liabilities:</u>	
Accounts Payable	68,664
Contracts Payable	75,023
Accrued Wages and Benefits Payable	878,224
Intergovernmental Payable	296,192
Retainage Payable	22,258
Deferred Revenue	4,473,261
Accrued Interest Payable	10,044
Long-Term Liabilities:	
Due Within One Year	552,863
Due in More Than One Year	4,606,955
Total Liabilities	<u>10,983,484</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	7,446,352
Restricted For:	
Capital Projects	734
Debt Service	363,299
Food Service	47,049
Athletics	68,094
Other Purposes	78,074
Unrestricted	4,206,061
Total Net Assets	<u><u>\$12,209,663</u></u>

See Accompanying Notes to Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2007**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$5,853,934	\$91,198	\$86,477	\$14,336	(\$5,661,923)
Special	991,187	30,085	692,725		(268,377)
Vocational	368,416		43,210		(325,206)
Adult/Continuing	448				(448)
Support Services:					
Pupils	899,011		17,606		(881,405)
Instructional Staff	647,981				(647,981)
Board of Education	7,749				(7,749)
Administration	802,345				(802,345)
Fiscal	279,196				(279,196)
Business	1,580				(1,580)
Operation and Maintenance of Plant	1,047,605				(1,047,605)
Pupil Transportation	541,085		21,111	10,343	(509,631)
Central	131,953				(131,953)
Non-Instructional Services	450,893	325,700	133,034	4,000	11,841
Extracurricular Activities	430,304	107,248	600		(322,456)
Interest and Fiscal Charges	425,368				(425,368)
Total Governmental Activities	<u>\$12,879,055</u>	<u>\$554,231</u>	<u>\$994,763</u>	<u>\$28,679</u>	<u>(11,301,382)</u>
<u>General Revenues:</u>					
Property Taxes Levied for General Purposes					3,736,682
Property Taxes Levied for Debt Service					560,006
Income Taxes Levied for General Purposes					1,311,416
Payment in Lieu of Taxes					1,788
Grants and Entitlements not Restricted to Specific Programs					5,412,108
Interest					436,571
Gifts and Donations					2,677
Miscellaneous					162,588
Total General Revenues					<u>11,623,836</u>
Change in Net Assets					322,454
Net Assets at Beginning of Year					<u>11,887,209</u>
Net Assets at End of Year					<u>\$12,209,663</u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2007**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$6,110,739	\$351,685	\$760,124	\$7,222,548
Accounts Receivable	20,865		8,272	29,137
Accrued Interest Receivable	48,924			48,924
Intergovernmental Receivable	30,407		34,741	65,148
Income Taxes Receivable	614,589			614,589
Prepaid Items	24,040		1,726	25,766
Inventory Held for Resale			5,376	5,376
Materials and Supplies Inventory	5,865		1,158	7,023
<u>Restricted Assets:</u>				
Cash and Cash Equivalents with Escrow Agents			19,432	19,432
Property Taxes Receivable	4,030,792	598,739		4,629,531
Payment in Lieu of Taxes Receivable	771	123		894
Total Assets	\$10,886,992	\$950,547	\$830,829	\$12,668,368
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$53,571		\$15,093	\$68,664
Contracts Payable			75,023	75,023
Accrued Wages and Benefits Payable	853,275		24,949	878,224
Intergovernmental Payable	278,554		17,638	296,192
Retainage Payable			2,826	2,826
<u>Liabilities Payable from Restricted Assets:</u>				
Retainage Payable			19,432	19,432
Deferred Revenue	4,076,207	\$ 580,862	4,804	4,661,873
Total Liabilities	5,261,607	580,862	159,765	6,002,234
<u>Fund Balances:</u>				
Reserved for Property Taxes	112,000	18,000		130,000
Reserved for Encumbrances	210,858		73,545	284,403
<u>Unreserved, Designated for:</u>				
Termination Benefits			120,119	120,119
<u>Unreserved, Undesignated Reported in:</u>				
General Fund	5,302,527			5,302,527
Special Revenue Funds			161,440	161,440
Debt Service Fund		351,685		351,685
Capital Projects Funds			315,960	315,960
Total Fund Balances	5,625,385	369,685	671,064	6,666,134
Total Liabilities and Fund Balances	\$10,886,992	\$950,547	\$830,829	\$12,668,368

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2007**

Total Governmental Fund Balances		\$6,666,134
----------------------------------	--	-------------

Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		10,524,779
---	--	------------

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	\$21,149	
Accrued Interest Receivable	17,555	
Intergovernmental Receivable	17,833	
Income Taxes Receivable	104,911	
Property Taxes Receivable	26,270	
Payment in Lieu of Taxes Receivable	894	
		188,612

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(10,044)	
General Obligation Bonds Payable	(4,534,857)	
Compensated Absences Payable	(624,961)	
		(5,169,862)

Net Assets of Governmental Activities		\$12,209,663
---------------------------------------	--	--------------

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$3,785,970	\$566,185		\$4,352,155
Income Taxes	1,290,830			1,290,830
Payment in Lieu of Taxes	771	123		894
Intergovernmental	5,736,530	106,579	\$ 583,044	6,426,153
Interest	418,821		2,469	421,290
Tuition and Fees	93,086			93,086
Extracurricular Activities			107,248	107,248
Charges for Services			325,700	325,700
Gifts and Donations			4,477	4,477
Miscellaneous	95,534		57,254	152,788
Total Revenues	<u>11,421,542</u>	<u>672,887</u>	<u>1,080,192</u>	<u>13,174,621</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,430,180		40,325	5,470,505
Special	897,476		72,433	969,909
Vocational	354,058			354,058
Adult/Continuing			448	448
Support Services:				
Pupils	607,820		260,547	868,367
Instructional Staff	579,456		37,147	616,603
Board of Education	7,749			7,749
Administration	746,831		38,585	785,416
Fiscal	257,008	11,575		268,583
Business	1,580			1,580
Operation and Maintenance of Plant	977,741		15,535	993,276
Pupil Transportation	568,762			568,762
Central	112,363		5,000	117,363
Non-Instructional Services			421,391	421,391
Extracurricular Activities	257,358		96,297	353,655
Capital Outlay	131,548		747,721	879,269
Debt Service:				
Principal Retirement	13,065	500,000		513,065
Interest and Fiscal Charges	89	137,415		137,504
Total Expenditures	<u>10,943,084</u>	<u>648,990</u>	<u>1,735,429</u>	<u>13,327,503</u>
Excess of Revenues Over (Under) Expenditures	<u>478,458</u>	<u>23,897</u>	<u>(655,237)</u>	<u>(152,882)</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	400			400
Transfers In			352,155	352,155
Transfers Out	(352,155)			(352,155)
Total Other Financing Sources (Uses)	<u>(351,755)</u>		<u>352,155</u>	<u>400</u>
Changes in Fund Balances	126,703	23,897	(303,082)	(152,482)
Fund Balances at Beginning of Year	<u>5,498,682</u>	<u>345,788</u>	<u>974,146</u>	<u>6,818,616</u>
Fund Balances at End of Year	<u>\$5,625,385</u>	<u>\$369,685</u>	<u>\$671,064</u>	<u>\$6,666,134</u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2007**

Changes in Fund Balances - Total Governmental Funds (\$152,482)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year:

Capital Outlay - Nondepreciable Capital Assets	\$539,528	
Capital Outlay - Depreciable Capital Assets	306,064	
Capital Contributions	4,000	
Depreciation	<u>(493,296)</u>	356,296

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the book value of the capital assets is removed from the capital asset accounts on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain on disposal of capital assets on the statement of activities

Proceeds from the Sale of Capital Assets	(400)	
Gain on Disposal of Capital Assets	<u>338</u>	(62)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	(55,467)	
Income Taxes	20,586	
Payment in Lieu of Taxes	894	
Intergovernmental	1,323	
Interest	17,555	
Tuition and Fees	28,197	
Miscellaneous	<u>9,462</u>	22,550

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

General Obligation Bonds Payable	500,000	
Capital Leases Payable	<u>13,065</u>	513,065

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets.

Accrued Interest Payable	(10,044)	
Annual Accretion on Capital Appreciation Bonds	<u>(277,820)</u>	(287,864)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(129,049)

Change in Net Assets of Governmental Activities

\$322,454

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$3,608,530	\$3,763,120	\$3,906,338	\$143,218
Income Taxes	1,093,798	1,213,692	1,219,441	5,749
Payment in Lieu of Taxes			771	771
Intergovernmental	5,766,847	5,711,135	5,736,530	25,395
Interest	119,104	230,000	379,154	149,154
Tuition and Fees	72,800	68,700	90,411	21,711
Miscellaneous	42,102	77,102	84,065	6,963
Total Revenues	<u>10,703,181</u>	<u>11,063,749</u>	<u>11,416,710</u>	<u>352,961</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,787,763	5,619,738	5,398,919	220,819
Special	901,915	977,316	899,476	77,840
Vocational	372,273	417,164	396,817	20,347
Adult/Continuing	216	216		216
Support Services:				
Pupils	652,999	642,801	594,009	48,792
Instructional Staff	517,230	581,346	568,613	12,733
Board of Education	14,512	11,602	8,431	3,171
Administration	787,534	804,343	794,151	10,192
Fiscal	266,068	266,708	257,032	9,676
Business	1,800	1,800	1,575	225
Operation and Maintenance of Plant	1,050,380	1,064,312	1,047,007	17,305
Pupil Transportation	581,899	601,131	592,984	8,147
Central	116,683	118,882	113,487	5,395
Extracurricular Activities	250,903	262,129	258,517	3,612
Capital Outlay	127,203	152,767	140,498	12,269
Total Expenditures	<u>11,429,378</u>	<u>11,522,255</u>	<u>11,071,516</u>	<u>450,739</u>
Excess of Revenues Over (Under) Expenditures	<u>(726,197)</u>	<u>(458,506)</u>	<u>345,194</u>	<u>803,700</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets			400	400
Refund of Prior Year Expenditures		6,500	8,439	1,939
Advances Out	(30,000)	(27,800)		27,800
Transfers In	20,000	182,212		(182,212)
Transfers Out	(350,000)	(352,200)	(352,155)	45
Total Other Financing Sources (Uses)	<u>(360,000)</u>	<u>(191,288)</u>	<u>(343,316)</u>	<u>(152,028)</u>
Changes in Fund Balance	(1,086,197)	(649,794)	1,878	651,672
Fund Balance at Beginning of Year	5,725,749	5,725,749	5,725,749	
Prior Year Encumbrances Appropriated	146,894	146,894	146,894	
Fund Balance at End of Year	<u>\$4,786,446</u>	<u>\$5,222,849</u>	<u>\$5,874,521</u>	<u>\$651,672</u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007**

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$56,525</u></u>
--	------------------------

Liabilities:

Undistributed Assets	1,198
Due to Students	<u>55,327</u>
Total Liabilities	<u><u>\$56,525</u></u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District was established in 1954 through the consolidation of existing land areas and the Benton Ridge School and the Liberty Township School. It is located in Hancock County and includes all of the Village of Benton Ridge, and part of Blanchard, Eagle, and Liberty Townships. The District is the 415th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-two classified employees, ninety-nine certified teaching personnel, and five administrative employees who provide services to 1,362 students and other community members. The District currently operates two instructional buildings.

Reporting Entity

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

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

The District participates in seven jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Cooperative Vocational Career Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., Northwest Ohio Special Education Regional Resource Center, Bay Area Council of Governments, West Central Regional Professional Development Center, Hancock County Schools Insurance Consortium Group Health Plan, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are reported in two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District's major governmental funds are the General Fund and the Bond Retirement debt service fund.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

General Fund - The General 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 general laws of Ohio.

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs on general obligation bonds.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District did not have any trust funds in fiscal year 2007. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various faculty-related and student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

Expenses/Expenditures

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

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2007, investments were limited to mutual funds, federal agency securities, and STAR Ohio. Investments are reported at fair value, which is based on current share prices or quoted market prices. 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, 2007.

The District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2007 was \$418,821, which includes \$38,390 assigned from other District funds.

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption and donated and purchased food.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent escrow accounts established for the payment of retainage on construction projects upon completion.

J. Capital Assets

All of the District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The District maintains a capitalization threshold of one thousand five hundred dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	20 years
Buildings and Building Improvements	20 - 109 years
Furniture, Fixtures, and Equipment	5 - 40 years
Vehicles	10 - 15 years

K. Compensated Absences

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include federal and state grants restricted to expenditure for specified purposes.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2007, there were no net assets restricted by enabling legislation.

N. Fund Balance Reserves and Designations

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation within the special revenue fund represents monies set aside by the Board for the future payment of termination benefits.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

O. Capital Contributions

Capital contributions arise from outside contributions of capital assets.

P. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Estimates

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING – (CONTINUED)

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis) budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$126,703
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2006, Received in Cash FY 2007	686,182
Accrued FY 2007, Not Yet Received in Cash	(670,141)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(1,119,448)
Accrued FY 2007, Not Yet Paid in Cash	1,185,400
Cash Adjustments:	
Unrecorded Activity FY 2006	(20,049)
Unrecorded Activity FY 2007	7,615
Prepaid Items	50,940
Materials and Supplies Inventory	(1,491)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(243,833)
Budget Basis	\$1,878

NOTE 4 - DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (CONTINUED)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,427,042 of the District's bank balance of \$3,096,565 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (CONTINUED)

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2007, the District had the following investments:

	Fair Value	Maturity
Mutual Fund	\$15,739	average 28 days
Federal Home Loan Mortgage Corporation Notes	299,394	10/5/07
Federal Home Loan Mortgage Corporation Notes	248,463	4/16/12
Federal Home Loan Mortgage Corporation Notes	200,000	6/20/11
Federal Home Loan Bank Notes	100,000	7/6/07
Federal Home Loan Bank Bonds	598,782	2/13/08
Federal Home Loan Bank Notes	299,486	3/6/08
Federal Home Loan Bank Bonds	199,125	10/23/09
Federal Home Loan Bank Notes	597,093	1/23/12
Federal National Mortgage Association Notes	349,618	10/23/09
Federal National Mortgage Association Notes	248,086	12/15/16
STAR Ohio	1,090,430	average 38.56 days
Total Investments	\$4,246,216	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the District.

The mutual fund and the federal agency securities carry a rating of AAA by Moodys or Standards and Poor's. STAR Ohio carries a rating of AAA by Standards and Poor's. The District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Mutual funds must consist of securities listed in items 1 and 2 for interim monies.

The District places no limit on the amount it may invest in any one issuer. The following table indicates the percentage of investments to the District's total portfolio:

	Fair Value	Percentage of Portfolio
Federal Home Loan Mortgage Corporation	\$747,857	17.6%
Federal Home Loan Bank	1,794,486	42.3
Federal National Mortgage Association	597,704	14.1

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 5 - RECEIVABLES

Receivables at June 30, 2007, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
Various School Districts	\$24,555
Ohio Department of Taxation	1,570
Bureau of Workers' Compensation	4,282
Total General Fund	<u>30,407</u>
Other Governmental Funds	
Food Service	14,582
Core	1,323
Title I	15,244
Title II-A	3,592
Total Governmental Activities	<u>\$65,148</u>

NOTE 6 - INCOME TAXES

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1995, and was renewed in 2002 for an eight year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 7 - PROPERTY TAXES

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 7 - PROPERTY TAXES – (CONTINUED)

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Hancock County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2007, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$112,000 in the General Fund and \$18,000 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2006, was \$232,368 in the General Fund and \$37,632 in the Bond Retirement debt service fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 7 - PROPERTY TAXES – (CONTINUED)

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$105,710,460	66.45%	\$107,348,460	68.31%
Industrial/Commercial	26,202,680	16.47	27,091,350	17.24
Public Utility	6,880,470	4.33	7,040,960	4.48
Tangible Personal	20,285,981	12.75	15,676,362	9.97
Total Assessed Value	<u>\$159,079,591</u>	<u>100.00%</u>	<u>\$157,157,132</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.14		\$39.07	

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$930,570			\$930,570
Construction in Progress	3,197	\$539,528	\$(67,828)	474,897
Total Nondepreciable Capital Assets	<u>933,767</u>	<u>539,528</u>	<u>(67,828)</u>	<u>1,405,467</u>
Depreciable Capital Assets				
Land Improvements	891,363			891,363
Buildings and Building Improvements	13,571,654	170,758		13,742,412
Furniture, Fixtures, and Equipment	1,097,822	103,480	(16,389)	1,184,913
Vehicles	904,978	103,654	(53,505)	955,127
Total Depreciable Capital Assets	<u>16,465,817</u>	<u>377,892</u>	<u>(69,894)</u>	<u>16,773,815</u>

(continued)

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 8 - CAPITAL ASSETS – (CONTINUED)

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities (continued)				
Less Accumulated Depreciation				
Land Improvements	(\$159,336)	(\$43,076)		(\$202,412)
Buildings and Building Improvements	(5,957,648)	(323,383)		(6,281,031)
Furniture, Fixtures, and Equipment	(561,602)	(73,215)	\$16,327	(618,490)
Vehicles	(552,453)	(53,622)	53,505	(552,570)
Total Accumulated Depreciation	<u>(7,231,039)</u>	<u>(493,296)</u>	<u>69,832</u>	<u>(7,654,503)</u>
Depreciable Capital Assets, Net	<u>9,234,778</u>	<u>(115,404)</u>	<u>(62)</u>	<u>9,119,312</u>
Governmental Activities Capital Assets, Net	<u>\$10,168,545</u>	<u>\$424,124</u>	<u>(\$67,890)</u>	<u>\$10,524,779</u>

The District accepted contributions of depreciable capital assets for governmental activities with a fair value of \$4,000 during fiscal year 2007.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$183,371
Special	19,542
Vocational	17,892
Support Services:	
Pupils	17,723
Instructional Staff	26,852
Administration	16,644
Fiscal	3,578
Operation and Maintenance of Plant	44,530
Pupil Transportation	60,528
Central	14,590
Non-Instructional Services	11,397
Extracurricular Activities	76,649
Total Depreciation Expense	<u>\$493,296</u>

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 9 - RISK MANAGEMENT

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. During fiscal year 2007, the District contracted for the following insurance coverage:

Coverage provided by The Netherlands Insurance Company is as follows:

Building and Contents	\$27,725,081
General School District Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Stop Gap Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000

Coverage provided by Consolidated Insurance Company is as follows:

Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

Coverage provided by The Midwestern Indemnity Company is as follows:

Umbrella Liability	2,000,000
--------------------	-----------

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

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

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005, was \$628,848, \$628,017 and \$574,998, respectively; 84 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$8,127 made by the District and \$18,200 made by plan members.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute an actuarially determined rate. The rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.68 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 required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, was \$147,061, \$162,905, and \$133,627, respectively; 44 percent has been contributed for the fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2007, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - 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 classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount was \$48,998.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 11 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006 (the latest information available). For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the District, the amount to fund health care benefits, including the surcharge, was \$66,370 for fiscal year 2007.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006 (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for all employees. Upon retirement, payment is made for one-fourth of their accrued but unused sick leave for all employees.

B. Health Care Benefits

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2007 were as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07	Amounts Due Within One Year
General Obligation Bonds					
1998 School Improvement Refunding					
Serial Bonds 3.75 - 4.5%	\$1,565,000		\$500,000	\$1,065,000	\$520,000
Term Bonds 5%	1,575,000			1,575,000	
Capital Appreciation Bonds	438,427			438,427	
Accretion on Capital Appreciation Bonds	1,178,610	\$277,820		1,456,430	
Total General Obligation Bonds	4,757,037	277,820	500,000	4,534,857	520,000
Compensated Absences Payable	495,912	129,049		624,961	32,863
Capital Leases Payable	13,065		13,065		
Total Governmental Activities Long-Term Liabilities	\$5,266,014	\$406,869	\$513,065	\$5,159,818	\$552,863

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

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1 in each of the years 2017 and 2018 (with the balance of \$510,000 to be paid at stated maturity on December 1, 2019), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

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

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS – (CONTINUED)

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2009 through 2016. The maturity amount of the bonds is \$4,560,000. For fiscal year 2007, \$277,820 was accreted on the capital appreciation bonds for a total outstanding bond value of \$1,894,857 at fiscal year end.

At June 30, 2007, \$1,567,800 of the refunded 1994 school improvement general obligation bonds was still outstanding.

Compensated absences will be paid from the Termination Benefits special revenue fund.

The District's overall debt margin was \$9,023,301 with an unvoted debt margin of \$134,464 at June 30, 2007.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2007, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Interest	Total
	Serial	Term	Capital		
2008	\$520,000			\$114,845	\$634,845
2009	545,000			91,013	636,013
2010			\$89,832	558,918	648,750
2011			76,591	572,159	648,750
2012			65,299	583,451	648,750
2013-2017			206,705	3,037,045	3,243,750
2018-2020		\$1,575,000		117,625	1,692,625
	\$1,065,000	\$1,575,000	\$438,427	\$5,075,056	\$8,153,483

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

The District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2007 were \$13,065.

	Governmental Activities
Equipment	\$112,396
Less Accumulated Depreciation	(33,719)
Total June 30, 2007	\$78,677

NOTE 15 - SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	Textbooks	Capital Improvements
Balance June 30, 2006	(\$851,245)	
Current Year Set Aside Requirement	189,980	\$189,980
Current Year Offsets		(320,565)
Qualifying Expenditures	(438,727)	(224,095)
Reserve Balance June 30, 2007	(\$1,099,992)	(\$354,680)
Amount Carried Forward to Fiscal Year 2008	(\$1,099,992)	

The District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

NOTE 16 - INTERFUND TRANSFERS

During fiscal year 2007, the General Fund made transfers to other governmental funds, in the amount of \$352,155, to subsidize permanent improvements and severance payments.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2007, the District paid \$5,700 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Cooperative Vocational Career Center

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

C. Hancock County Local Professional Development Committee

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

D. Northwestern Ohio Educational Research Council, Inc.

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)

E. Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to provide services to families, educators, and agencies regarding educational law and curriculum and instruction for students with disabilities. The SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating School Districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of MR/DD, one representative from a chartered non-public school, one representative from the University of Toledo, one representative from Bowling Green State University, one representative from a community school, and any other representatives from other agencies as designated by the Governing Board or the Ohio Department of Education. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

F. Bay Area Council of Governments

The Bay Area Council of Governments (Council) is a jointly governed organization among thirty-eight school districts, which was formed to purchase quality products and services at the lowest possible cost to participating school districts. The Council is governed by a board consisting of seven superintendents from the participating school districts. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained from the Bay Area Council of Governments, Erie-Huron-Ottawa Educational Service Center, 2900 Columbus Avenue, Sandusky, Ohio 44870.

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

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

G. West Central Regional Professional Development Center

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)

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

NOTE 18 - INSURANCE POOLS

A. Hancock County Schools Insurance Consortium Group Health Plan

The Hancock County Schools Insurance Consortium Group Health Plan (Plan) is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The Plan is a Voluntary Employee Benefit Association under Section 501(c) (9) of the Internal Revenue Code and provides medical, dental, vision, and life insurance benefits to the employees of the participants. Each participants' superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Plan.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Sky Insurance, P.O. Box 10079, 1695 Indian Wood Circle, Maumee, OH 43537.

B. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 19- CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2007.

B. Litigation

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 20 – RESTATEMENT AND REISSUANCE

In fiscal year 2007 the District reevaluated their capital asset accounting resulting in a prior period restatement to reduce previously reported capital assets by \$42,490 and also reduce previously reported accumulated depreciation by \$879,000 for a net increase to capital assets of \$836,510. These changes affected the periods prior to fiscal year 2006. This was disclosed in the District's fiscal year 2007 audited financial statements, however, it was not disclosed in the District's fiscal year 2006 audited financial statements both of which were issued on January 18, 2008. As a result we are reissuing the fiscal year 2006 and 2007 audited financial statements to show this change effective at the beginning of fiscal year 2006.

This page is intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Benton Local School District, Hancock County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 18, 2008 and April 24, 2008, wherein we noted the accompanying 2006 disclosures for Management's Discussion and Analysis have been updated. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above

We noted a certain matter that we reported to the District's management in a separate letter dated January 18, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance matter that we reported to the District's management in a separate letter dated January 18, 2008.

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 18, 2008 and April 24, 2008



Mary Taylor, CPA
Auditor of State

LIBERTY BENTON LOCAL SCHOOL DISTRICT

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 8, 2008**