



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

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



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	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	18
Statement of Fiduciary Assets and Liabilities	19
Notes to the Basic Financial Statements	20
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	47

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying 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, 2009, 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, 2009, and the respective changes in financial position, thereof and the budgetary comparison of 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 December 21, 2009, 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.

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.

A handwritten signature in black ink that reads "Mary Taylor". The script is cursive and fluid.

Mary Taylor, CPA
Auditor of State

December 21, 2009

**Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited**

The discussion and analysis of Liberty Benton Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2009 were as follows:

Net assets decreased \$1,323,673, or almost 11 percent. Although the School District's revenues remained fairly consistent with the prior year, expenses increased. The excess of expenses over revenues resulted in the decrease in net assets.

General revenues were \$11,595,983, or 88 percent of total revenues, and demonstrate the School 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 School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other nonmajor funds presented in total in a single column.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2009. 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 year's revenues and expenses regardless of when cash is received or paid.

These statements report the School 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 School 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 School 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 School 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
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited**

Reporting the School District's Most Significant Funds

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

Governmental Funds - All of the School 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 School 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 School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2009 and fiscal year 2008:

Table 1 Net Assets			
	Governmental Activities		
	2009	2008	Change
<u>Assets</u>			
Current and Other Assets	\$10,402,033	\$12,097,608	(\$1,695,575)
Capital Assets, Net	10,755,737	10,667,247	88,490
Total Assets	<u>21,157,770</u>	<u>22,764,855</u>	<u>(1,607,085)</u>
<u>Liabilities</u>			
Current and Other Liabilities	5,289,024	5,428,729	(139,705)
Long-Term Liabilities	4,832,172	4,975,879	(143,707)
Total Liabilities	<u>10,121,196</u>	<u>10,404,608</u>	<u>(283,412)</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	\$8,742,310	\$8,108,820	\$633,490
Restricted	750,420	689,937	60,483
Unrestricted	1,543,844	3,561,490	(2,017,646)
Total Net Assets	<u>\$11,036,574</u>	<u>\$12,360,247</u>	<u>(\$1,323,673)</u>

**Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited**

As reflected in the above table, the most significant change from the prior fiscal year was in current and other assets (14 percent). This was largely due to a \$1.7 million decrease in cash and cash equivalents. Revenues in fiscal year 2009 were fairly comparable to fiscal year 2008; however, expenses increased (in large part due to scheduled base and step increases). The result of the excess of expenses over revenues required cash carryover spending. Spending cash carryover resources is also reflected in the decrease in unrestricted net assets.

Table 2 reflects the change in net assets for fiscal year 2009 and fiscal year 2008:

Table 2
Change in Net Assets

	Governmental Activities		
	2009	2008	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$570,090	\$555,238	\$14,852
Operating Grants, Contributions, and Interest	1,024,139	1,077,385	(53,246)
Capital Grants and Contributions	16,640	6,825	9,815
Total Program Revenues	<u>1,610,869</u>	<u>1,639,448</u>	<u>(28,579)</u>
General Revenues			
Property Taxes	4,356,436	4,444,031	(87,595)
Income Taxes	1,307,708	1,380,019	(72,311)
Grants and Entitlements	5,652,124	5,595,718	56,406
Interest	152,498	312,753	(160,255)
Gifts and Donations	2,544	2,918	(374)
Miscellaneous	124,673	85,612	39,061
Total General Revenues	<u>11,595,983</u>	<u>11,821,051</u>	<u>(225,068)</u>
Total Revenues	<u>13,206,852</u>	<u>13,460,499</u>	<u>(253,647)</u>

(continued)

**Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited**

Table 2
Change in Net Assets
(continued)

	Governmental Activities		
	2009	2008	Change
<u>Expenses</u>			
Instruction:			
Regular	\$6,472,121	\$6,118,971	(\$353,150)
Special	1,334,666	1,199,156	(135,510)
Vocational	343,017	327,414	(15,603)
Support Services:			
Pupils	1,033,062	960,816	(72,246)
Instructional Staff	592,914	545,646	(47,268)
Board of Education	14,557	10,330	(4,227)
Administration	969,329	885,840	(83,489)
Fiscal	313,113	315,733	2,620
Business	1,812	1,768	(44)
Operation and Maintenance of Plant	1,233,745	1,218,121	(15,624)
Pupil Transportation	608,074	638,376	30,302
Central	147,300	151,954	4,654
Non-Instructional Services	471,937	465,529	(6,408)
Extracurricular Activities	518,743	490,400	(28,343)
Interest and Fiscal Charges	476,135	438,346	(37,789)
Total Expenses	<u>14,530,525</u>	<u>13,768,400</u>	<u>(762,125)</u>
Decrease in Net Assets	(1,323,673)	(307,901)	(1,015,772)
Net Assets at Beginning of Year	<u>12,360,247</u>	<u>12,668,148</u>	<u>(307,901)</u>
Net Assets at End of Year	<u>\$11,036,574</u>	<u>\$12,360,247</u>	<u>(\$1,323,673)</u>

With the exception of interest revenue, revenues remained very comparable to the prior fiscal year with a slight 2 percent decrease overall. The decrease in interest revenue is a reflection of the economy over the past year.

While not overly significant, expenses increased over 5 percent from the prior fiscal year. Increases are reflected in almost all programs, much of which can be attributed to annual base and step increases as well as to higher costs for services provided by the Educational Service Center. The increase in the Administration program costs are related to the new superintendent search performed by the Ohio School Boards Association. As is to be expected, the instruction programs are the School 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 School District's expenses are directly related to delivering education and maintaining facilities.

**Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited**

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 and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction:				
Regular	\$6,472,121	\$6,118,971	\$6,317,886	\$5,987,905
Special	1,334,666	1,199,156	587,773	395,100
Vocational	343,017	327,414	298,983	282,866
Support Services:				
Pupils	1,033,062	960,816	1,015,884	946,816
Instructional Staff	592,914	545,646	592,914	541,979
Board of Education	14,557	10,330	14,557	10,330
Administration	969,329	885,840	969,329	885,840
Fiscal	313,113	315,733	313,113	315,733
Business	1,812	1,768	1,812	1,768
Operation and Maintenance of Plant	1,233,745	1,218,121	1,233,745	1,218,121
Pupil Transportation	608,074	638,376	574,938	611,359
Central	147,300	151,954	147,300	151,954
Non-Instructional Services	471,937	465,529	(14,658)	(16,291)
Extracurricular Activities	518,743	490,400	389,945	357,126
Interest and Fiscal Charges	476,135	438,346	476,135	438,346
Total Expenses	\$14,530,525	\$13,768,400	\$12,919,656	\$12,128,952

The table demonstrates that 89 percent of all of the School District's costs for fiscal year 2009 were provided for through general revenues (88 percent for fiscal year 2008). Only several of the School District's programs receive significant support from program revenues. For instance, the special instruction program paid for 56 percent of its costs through program revenues, those generally being operating grants restricted to special instruction programs. For both fiscal years 2009 and 2008, all of the costs of the non-instructional program were paid for through program revenues consisting of cafeteria sales, state and federal subsidies, and donated commodities for food service operations.

**Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited**

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance in the General Fund decreased over 27 percent from spending cash carryover resources. Fund balance in the Bond Retirement Fund increased 15 percent as tax revenues continue to exceed amounts required for principal and interest payments.

General Fund Budgeting Highlights

The School 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 2009, the School 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 2009, the School District had \$10,755,737 invested in capital assets (net of accumulated depreciation). The most significant addition to capital assets in fiscal year 2009 was the construction on the new softball/baseball/soccer complex. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

Debt

At June 30, 2009, the School District had outstanding general obligation bonds, in the amount of \$4,182,267. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 16 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 School District relies primarily on local property taxes and income taxes as well as State foundation funding. Approximately 43 percent of School District's revenues are from these local sources and approximately 51 percent from various state and federal resources. Expenditures per pupil were approximately \$9,391 for fiscal year 2009.

The School District opened mid-term negotiations during the summer of 2009 with several of the unions that resulted in a 1percent pay reduction and three contractual days worked without compensation as well as changes in the insurance program.

**Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited**

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School 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.

Liberty Benton Local School District
Statement of Net Assets
June 30, 2009

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,982,594
Accounts Receivable	17,580
Accrued Interest Receivable	15,354
Intergovernmental Receivable	32,223
Income Taxes Receivable	522,979
Prepaid Items	15,739
Inventory Held for Resale	4,727
Materials and Supplies Inventory	8,746
Property Taxes Receivable	4,356,704
Payment in Lieu of Taxes Receivable	445,387
Nondepreciable Capital Assets	940,402
Depreciable Capital Assets, Net	9,815,335
Total Assets	21,157,770
 <u>Liabilities:</u>	
Accounts Payable	61,744
Accrued Wages and Benefits Payable	953,949
Intergovernmental Payable	392,026
Deferred Revenue	3,875,048
Accrued Interest Payable	6,257
Long-Term Liabilities:	
Due Within One Year	157,089
Due in More Than One Year	4,675,083
Total Liabilities	10,121,196
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	8,742,310
Restricted For:	
Capital Projects	707
Debt Service	523,621
Food Service	83,220
Athletics	89,766
Other Purposes	53,106
Unrestricted	1,543,844
Total Net Assets	\$11,036,574

See Accompanying Notes to Basic Financial Statements

This page intentionally left blank.

**Liberty Benton Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$6,472,121	\$106,523	\$44,102	\$3,610
Special	1,334,666	11,263	735,630	
Vocational	343,017		44,034	
Support Services:				
Pupils	1,033,062		17,178	
Instructional Staff	592,914			
Board of Education	14,557			
Administration	969,329			
Fiscal	313,113			
Business	1,812			
Operation and Maintenance of Plant	1,233,745			
Pupil Transportation	608,074		20,206	12,930
Central	147,300			
Non-Instructional Services	471,937	323,806	162,789	
Extracurricular Activities	518,743	128,498	200	100
Interest and Fiscal Charges	476,135			
Total Governmental Activities	<u>\$14,530,525</u>	<u>\$570,090</u>	<u>\$1,024,139</u>	<u>\$16,640</u>

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Debt Service
Income Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in
Net Assets

Governmental
Activities

(\$6,317,886)
(587,773)
(298,983)

(1,015,884)
(592,914)
(14,557)
(969,329)
(313,113)
(1,812)

(1,233,745)
(574,938)
(147,300)
14,658
(389,945)
(476,135)

(12,919,656)

3,774,544
581,892
1,307,708
5,652,124
152,498
2,544

124,673

11,595,983

(1,323,673)

12,360,247

\$11,036,574

Liberty Benton Local School District
Balance Sheet
Governmental Funds
June 30, 2009

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,085,380	\$402,990	\$494,224	\$4,982,594
Accounts Receivable	13,591		3,989	17,580
Accrued Interest Receivable	15,354			15,354
Intergovernmental Receivable	14,756		17,467	32,223
Income Taxes Receivable	522,979			522,979
Prepaid Items	15,739			15,739
Inventory Held for Resale			4,727	4,727
Materials and Supplies Inventory	7,553		1,193	8,746
Property Taxes Receivable	3,819,390	537,314		4,356,704
Payment in Lieu of Taxes Receivable	384,327	61,060		445,387
Total Assets	\$8,879,069	\$1,001,364	\$521,600	\$10,402,033
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$58,364		\$3,380	\$61,744
Accrued Wages and Benefits Payable	929,509		24,440	953,949
Intergovernmental Payable	373,841		18,185	392,026
Deferred Revenue	3,898,702	\$534,738	3,902	4,437,342
Total Liabilities	5,260,416	534,738	49,907	5,845,061
<u>Fund Balances:</u>				
Reserved for Property Taxes	397,000	63,000		460,000
Reserved for Encumbrances	322,434		48,218	370,652
Unreserved, Designated for:				
Termination Benefits			156,697	156,697
Unreserved, Undesignated Reported in:				
General Fund	2,899,219			2,899,219
Special Revenue Funds			182,363	182,363
Debt Service Fund		403,626		403,626
Capital Projects Funds			84,415	84,415
Total Fund Balances	3,618,653	466,626	471,693	4,556,972
Total Liabilities and Fund Balances	\$8,879,069	\$1,001,364	\$521,600	\$10,402,033

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2009

Total Governmental Fund Balances		\$4,556,972
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
		10,755,737
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Accounts Receivable	17,433	
Accrued Interest Receivable	8,871	
Intergovernmental Receivable	2,962	
Income Taxes Receivable	70,606	
Property Taxes Receivable	21,656	
Payment in Lieu of Taxes Receivable	440,766	
		562,294
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Accrued Interest Payable	(6,257)	
General Obligation Bonds Payable	(4,182,267)	
Compensated Absences Payable	(649,905)	
		(4,838,429)
Net Assets of Governmental Activities		\$11,036,574

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$3,840,730	\$592,391		\$4,433,121
Income Taxes	1,316,463			1,316,463
Payment in Lieu of Taxes	11,113	1,772		12,885
Intergovernmental	6,048,239	116,819	\$518,742	6,683,800
Interest	162,798		2,770	165,568
Tuition and Fees	113,722		0	113,722
Extracurricular Activities			128,498	128,498
Charges for Services			323,806	323,806
Gifts and Donations	2,384		4,994	7,378
Miscellaneous	88,203		35,011	123,214
Total Revenues	<u>11,583,652</u>	<u>710,982</u>	<u>1,013,821</u>	<u>13,308,455</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,146,864		58,051	6,204,915
Special	1,228,574		79,556	1,308,130
Vocational	324,843			324,843
Support Services:				
Pupils	788,214		213,282	1,001,496
Instructional Staff	585,480		63,172	648,652
Board of Education	14,557			14,557
Administration	907,089		35,500	942,589
Fiscal	298,733	13,168		311,901
Business	1,812			1,812
Operation and Maintenance of Plant	1,153,270		18,357	1,171,627
Pupil Transportation	604,295			604,295
Central	127,710		5,000	132,710
Non-Instructional Services			456,740	456,740
Extracurricular Activities	309,523		127,061	436,584
Capital Outlay	85,129		476,567	561,696
Debt Service:				
Principal Retirement		545,000		545,000
Interest and Fiscal Charges		91,013		91,013
Total Expenditures	<u>12,576,093</u>	<u>649,181</u>	<u>1,533,286</u>	<u>14,758,560</u>
Excess of Revenues Over (Under) Expenditures	<u>(992,441)</u>	<u>61,801</u>	<u>(519,465)</u>	<u>(1,450,105)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In			381,364	381,364
Transfers Out	(381,364)			(381,364)
Total Other Financing Sources (Uses)	<u>(381,364)</u>		<u>381,364</u>	
Changes in Fund Balances	(1,373,805)	61,801	(138,101)	(1,450,105)
Fund Balances at Beginning of Year	<u>4,992,458</u>	<u>404,825</u>	<u>609,794</u>	<u>6,007,077</u>
Fund Balances at End of Year	<u>\$3,618,653</u>	<u>\$466,626</u>	<u>\$471,693</u>	<u>\$4,556,972</u>

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District
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, 2009

Changes in Fund Balances - Total Governmental Funds (\$1,450,105)

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	286,046	
Capital Outlay - Depreciable Capital Assets	385,809	
Capital Contributions	3,710	
Depreciation	<u>(559,722)</u>	
		115,843

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 account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain or loss on disposal of capital assets on the statement of activities.

Proceeds from the Sale of Capital Assets	(4,750)	
Gain on Disposal of Capital Assets	2,400	
Loss on Disposal of Capital Assets	<u>(25,003)</u>	
		(27,353)

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

Property Taxes	(76,685)	
Income Taxes	(8,755)	
Payment in Lieu of Taxes	(12,885)	
Intergovernmental	(2,028)	
Interest	(10,483)	
Tuition and Fees	4,064	
Miscellaneous	<u>(941)</u>	
		(107,713)

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

545,000

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	1,948	
Annual Accretion on Capital Appreciation Bonds	<u>(387,070)</u>	
		(385,122)

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.

(14,223)

Change in Net Assets of Governmental Activities (\$1,323,673)

Liberty Benton Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
<u>Revenues:</u>				
Property Taxes	\$3,652,826	\$3,740,372	\$3,640,730	(\$99,642)
Income Taxes	1,346,220	1,346,220	1,430,016	83,796
Payment in Lieu of Taxes			7,128	7,128
Intergovernmental	6,034,540	5,996,339	6,046,017	49,678
Interest	224,000	224,000	137,066	(86,934)
Tuition and Fees	68,700	68,700	114,446	45,746
Gifts and Donations			2,384	2,384
Miscellaneous	44,669	211,169	67,031	(144,138)
Total Revenues	<u>11,370,955</u>	<u>11,586,800</u>	<u>11,444,818</u>	<u>(141,982)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,450,118	6,450,121	6,146,621	303,500
Special	1,168,679	1,168,681	1,234,964	(66,283)
Vocational	340,263	340,264	384,321	(44,057)
Adult/Continuing	216	216		216
Support Services:				
Pupils	804,759	804,758	788,048	16,710
Instructional Staff	571,903	603,022	587,927	15,095
Board of Education	20,049	20,049	18,827	1,222
Administration	889,653	891,453	918,706	(27,253)
Fiscal	314,610	314,610	315,210	(600)
Business	1,827	1,827	2,042	(215)
Operation and Maintenance of Plant	1,185,395	1,194,697	1,209,952	(15,255)
Pupil Transportation	682,130	683,631	652,019	31,612
Central	160,192	160,192	135,580	24,612
Extracurricular Activities	316,354	316,356	311,904	4,452
Capital Outlay	417,438	442,438	91,964	350,474
Total Expenditures	<u>13,323,586</u>	<u>13,392,315</u>	<u>12,798,085</u>	<u>594,230</u>
Excess of Revenues				
Under Expenditures	<u>(1,952,631)</u>	<u>(1,805,515)</u>	<u>(1,353,267)</u>	<u>452,248</u>
<u>Other Financing Sources (Uses):</u>				
Other Financing Sources			2,000	2,000
Refund of Prior Year Expenditures	6,500	6,500	14,619	8,119
Refund of Prior Year Receipts			(101,498)	(101,498)
Advances Out		(80,000)		80,000
Transfers Out	(420,398)	(340,398)	(381,364)	(40,966)
Total Other Financing Sources (Uses)	<u>(413,898)</u>	<u>(413,898)</u>	<u>(466,243)</u>	<u>(52,345)</u>
Changes in Fund Balance	(2,366,529)	(2,219,413)	(1,819,510)	399,903
Fund Balance at Beginning of Year	4,960,521	4,960,521	4,960,521	
Prior Year Encumbrances Appropriated	561,317	561,317	561,317	
Fund Balance at End of Year	<u>\$3,155,309</u>	<u>\$3,302,425</u>	<u>\$3,702,328</u>	<u>\$399,903</u>

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$81,764</u></u>
 <u>Liabilities:</u>	
Undistributed Assets	1,537
Due to Students	<u>80,227</u>
Total Liabilities	<u><u>\$81,764</u></u>

See Accompanying Notes to the Basic Financial Statements

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1954. It is located in Hancock County and includes all of the Village of Benton Ridge, and part of Blanchard, Eagle, and Liberty Townships. The School District is the 413th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy classified employees, one hundred and one certified teaching personnel, and five administrative employees who provide services to one thousand three hundred forty-five students and other community members. The School District currently operates two instructional buildings.

Reporting Entity

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

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

The School District participates in five jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Career and Technology Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., Bay Area Council of Governments, Hancock County Schools Health Benefit Fund, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 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 School 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 School District's accounting policies.

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The School 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 School 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 School 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 School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School 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 School 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 School 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 School District.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School 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 School 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 School 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 School District are reported in two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the School 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 School District's major governmental funds are the General Fund and the Bond Retirement debt service fund.

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

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 School 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 School 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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2009. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various non-instructional 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 School 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 a reconciliation 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

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 School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from 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, 2009, but which were levied to finance fiscal year 2010 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 School 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 School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2009, investments consisted of repurchase agreements, mutual funds, federal agency securities, and STAR Ohio. Repurchase agreements are reported at cost. Investments are reported at fair value, which is based on current share price or quoted market price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2009 was \$162,798, which includes \$20,631 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, 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.

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 2 - Summary of Significant Accounting Policies (continued)

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. Capital Assets

All of the School 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 School 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	18 - 109 years
Furniture, Fixtures, and Equipment	5 - 40 years
Vehicles	10 - 15 years

J. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

K. 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.

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 2 - Summary of Significant Accounting Policies (continued)

L. 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 School 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.

The School 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.

M. Fund Balance Reserves and Designations

The School 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.

N. 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.

O. 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.

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 3 - Change in Accounting Principles

For fiscal year 2009, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 52 establishes consistent standards for reporting land and other real estate held as investments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements and the framework for selecting those principles. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' (AICPA) auditing literature into the GASB's accounting and financial reporting literature. This guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any changes to the financial statements.

Note 4 - Compliance

At June 30, 2009, the Public School Support special revenue fund had final appropriations in excess of estimated resources plus available balances, in the amount of \$1,446. The Treasurer will monitor appropriations to ensure they are within estimated resources.

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 5 - Budgetary Basis of Accounting

While the School 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).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	(\$1,373,805)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2008, Received in Cash FY 2009	777,932
Accrued FY 2009, Not Yet Received in Cash	(871,695)
Expenditure Accruals:	
Accrued FY 2008, Paid in Cash FY 2009	(1,323,606)
Accrued FY 2009, Not Yet Paid in Cash	1,361,714
Cash Adjustments:	
Unrecorded Activity FY 2008	(15,216)
Unrecorded Activity FY 2009	(13,236)
Prepaid Items	8,554
Materials and Supplies Inventory	(336)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(369,816)
Budget Basis	(\$1,819,510)

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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.

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 School 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.

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 6 - Deposits and Investments (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2009, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreement	\$115,299	7/1/09
Mutual Fund	16,427	average 53 days
Mutual Fund	1,911,492	average 45 days
Federal Home Loan Mortgage Corporation Notes	307,803	8/12/10
Federal Home Loan Bank Bonds	301,407	10/2/09
Federal Home Loan Bank Bonds	302,064	10/1/10
Federal Home Loan Bank Notes	420,252	10/1/12
STAR Ohio	647,550	average 58 days
Total Investments	<u>\$4,022,294</u>	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 School District.

The securities underlying the repurchase agreement (Federal Home Loan Mortgage Corporation Notes) carry a rating of AAA by Moodys. The mutual funds and the federal agency securities carry a rating of AAA by Moodys. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Repurchase agreements are limited to investments listed in items 1 and 2 on the previous page. Ohio law requires that mutual funds in eligible securities must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreements are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with custodial credit risk beyond the requirements of the State statute.

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 6 - Deposits and Investments (continued)

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

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Repurchase Agreement	\$115,299	2.9%
Federal Home Loan Mortgage Corporation	307,803	7.7
Federal Home Loan Bank	1,023,723	25.5

Note 7 - Receivables

Receivables at June 30, 2009, 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, except income taxes, property taxes, and payment in lieu of taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Payment in lieu of taxes, in the amount of \$430,009, will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
Ohio Schools Council	\$7,811
Ohio Department of Taxation	6,945
Total General Fund	<u>14,756</u>
Other Governmental Funds	
Athletics	3,092
Title I	14,375
Total Other Governmental Funds	<u>17,467</u>
Total Governmental Activities	<u>\$32,223</u>

Note 8 - Income Taxes

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1995, and 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 9 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, 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 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. 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 School District prior to June 30.

The School District receives property taxes from Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2009, are available to finance fiscal year 2009 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, 2009, 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 was levied to finance current fiscal year operations and are 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, 2009, was \$397,000 in the General Fund and \$63,000 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2008, was \$197,000 in the General Fund and \$31,000 in the Bond Retirement debt service fund.

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 9 - Property Taxes (continued)

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.

The assessed values upon which fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$113,400,250	76.29%	\$116,004,080	76.34%
Industrial/Commercial	28,287,720	19.03	28,815,780	18.96
Public Utility	6,752,770	4.55	7,135,820	4.70
Tangible Personal	198,000	0.13		
Total Assessed Value	<u>\$148,638,740</u>	<u>100.00%</u>	<u>\$151,955,680</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.95		\$39.01	

Note 10 - Payment in Lieu of Taxes

According to State law, the City of Findlay and Hancock County have entered into agreements with a number of property owners under which the City and County have granted property tax exemptions to those property owners. The property owners have agreed to make payments to the City which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The agreements provide for a portion of these payments to be paid to the School District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$930,570			\$930,570
Construction in Progress	247,524	\$286,046	(\$523,738)	9,832
Total Nondepreciable Capital Assets	<u>1,178,094</u>	<u>286,046</u>	<u>(523,738)</u>	<u>940,402</u>

(continued)

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 11 - Capital Assets (continued)

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09
Governmental Activities (continued)				
Depreciable Capital Assets				
Land Improvements	\$895,568	\$347,254	(\$21,663)	\$1,221,159
Buildings and Building Improvements	14,322,734	344,881		14,667,615
Furniture, Fixtures, and Equipment	1,323,666	145,064	(37,902)	1,430,828
Vehicles	1,054,782	76,058	(40,704)	1,090,136
Total Depreciable Capital Assets	<u>17,596,750</u>	<u>913,257</u>	<u>(100,269)</u>	<u>18,409,738</u>
Less Accumulated Depreciation				
Land Improvements	(247,170)	(52,645)	10,741	(289,074)
Buildings and Building Improvements	(6,619,193)	(345,831)		(6,965,024)
Furniture, Fixtures, and Equipment	(681,460)	(91,000)	21,471	(750,989)
Vehicles	(559,774)	(70,246)	40,704	(589,316)
Total Accumulated Depreciation	<u>(8,107,597)</u>	<u>(559,722)</u>	<u>72,916</u>	<u>(8,594,403)</u>
Depreciable Capital Assets, Net	<u>9,489,153</u>	<u>353,535</u>	<u>(27,353)</u>	<u>9,815,335</u>
Governmental Activities Capital Assets, Net	<u>\$10,667,247</u>	<u>\$639,581</u>	<u>(\$551,091)</u>	<u>\$10,755,737</u>

The School District accepted contributions of depreciable capital assets for governmental activities, with a fair value of \$3,710, during fiscal year 2009.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$193,220
Special	20,253
Vocational	17,205
Support Services:	
Pupils	17,723
Instructional Staff	23,478
Administration	17,962
Fiscal	3,173
Operation and Maintenance of Plant	68,505
Pupil Transportation	76,512
Central	14,590
Non-Instructional Services	12,280
Extracurricular Activities	94,821
Total Depreciation Expense	<u>\$559,722</u>

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School District contracted for the following insurance coverage:

Coverage provided by The Netherlands Insurance Company is as follows:

Building and Contents	\$29,294,805
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 School District participates in the Hancock County Schools Health Benefit Fund (Fund), a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The School District pays monthly premiums to the Fund for employee medical, dental, vision, and life insurance benefits. The Fund is responsible for the management and operations of the program. Upon withdrawal from the Fund, a participant is responsible for the payment of all Fund liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The School 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 School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., review each participants' 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the 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. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years 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 of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 was \$695,306, \$647,400, and \$628,848 respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DCP and CP for fiscal year 2009 were \$16,301 made by the School District and \$24,005 made by plan members.

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 13 - Defined Benefit Pension Plans (continued)

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$137,285, \$135,572, and \$137,697 respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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, 2009, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$54,739, \$50,959, and \$48,998 respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 14 - Postemployment Benefits (continued)

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2009, the surcharge amount was \$30,206.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$62,828, \$61,866, and \$45,715 respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2009, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$11,327, \$9,768, and \$9,363 respectively; 41 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 15 - 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 225 days for all employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave for all employees.

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 15 - Other Employee Benefits (continued)

B. Health Care Benefits

The School District provides medical, dental, vision, and life insurance to all employees through the Hancock County Schools Health Benefit Fund. 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.

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09	Amounts Due Within One Year
General Obligation Bonds					
1998 School Improvement Refunding					
Serial Bonds 3.75 - 4.5%	\$545,000		\$545,000		
Term Bonds 5%	1,575,000			\$1,575,000	
Capital Appreciation Bonds	438,427			438,427	\$89,832
Accretion on Capital Appreciation Bonds	1,781,770	\$387,070		2,168,840	
Total General Obligation Bonds	4,340,197	387,070	545,000	4,182,267	89,832
Compensated Absences Payable	635,682	95,832	81,609	649,905	67,257
Total Governmental Activities Long-Term Liabilities	<u>\$4,975,879</u>	<u>\$482,902</u>	<u>\$626,609</u>	<u>\$4,832,172</u>	<u>\$157,089</u>

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

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

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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 16 - Long-Term Obligations (continued)

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2009 through 2016. The maturity amount of the bonds is \$4,560,000. For fiscal year 2009, \$387,070 was accrued on the capital appreciation bonds for a total outstanding bond value of \$2,607,267 at fiscal year end.

At June 30, 2009, \$1,065,100 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 School District's overall debt margin was \$11,489,412 with an unvoted debt margin of \$144,847 at June 30, 2009.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2009, were as follows:

Fiscal Year Ending June 30,	General Obligations Bonds			
	Term	Capital	Interest	Total
2010		\$89,832	\$558,918	\$648,750
2011		76,591	572,159	648,750
2012		65,299	583,451	648,750
2013		55,678	593,072	648,750
2014		47,470	601,280	648,750
2015-2019	\$1,065,000	103,557	1,947,568	3,116,125
2020	510,000		12,750	522,750
	\$1,575,000	\$438,427	\$4,869,198	\$6,882,625

Note 17 - Set Asides

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

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 17 - Set Asides (Continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2009.

	Textbooks	Capital Improvements
Balance June 30, 2008	(\$1,293,185)	
Current Year Set Aside Requirement	206,280	\$206,280
Current Year Offsets		(206,280)
Qualifying Expenditures	(404,252)	
Reserve Balance June 30, 2009	(\$1,491,157)	
Amount Carried Forward to Fiscal Year 2010	(\$1,491,157)	

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

Note 18 - Interfund Transfers

During fiscal year 2009, the General Fund made transfers to other governmental funds, in the amount of \$381,364, to subsidize permanent improvements, severance payments, and operations of other governmental funds.

Note 19 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2009, the School District paid \$28,732 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Career and Technology Center

The Millstream Career and Technology 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, 1219 West Main Cross, Suite 101, Findlay, Ohio 45840-3377.

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 19 - Jointly Governed Organizations (Continued)

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.

E. 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, North Point Educational Service Center, 2900 Columbus Avenue, Sandusky, Ohio 44870.

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

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

Note 20 - Insurance Pools

A. Hancock County Schools Health Benefit Fund

The Hancock County Schools Health Benefit Fund 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 Fund 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, Huntington, concerning aspects of the administration of the Fund.

**Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 20 - Insurance Pools (continued)

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

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

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The 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 21 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

B. Litigation

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

Note 22 - Subsequent Event

On December 16, 2009, the School District issued general obligation refunding bonds, in the amount of \$1,570,000, to refund bonds previously issued to construct a new high school and for improvements to other schools. The bonds have an interest rate of 3.8 percent and mature in fiscal year 2020. The bonds refunded school improvement bonds, in the amount of \$1,575,000, with an interest rate of 5 percent.

This page 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 County Road 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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2009. 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.

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

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

Mary Taylor, CPA
Auditor of State

December 21, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Liberty Benton Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on April 18, 2006 and revised the policy at its meeting on December 17, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Mary Taylor, CPA
Auditor of State

December 21, 2009



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
JANUARY 12, 2010