



Mary Taylor, CPA
Auditor of State

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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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, 2010, 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, 2010, 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 9, 2010, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

December 9, 2010

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Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
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, 2010. 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 2010 were as follows:

Net assets increased \$103,454, or less than 1 percent. This was not a significant change.

General revenues were \$11,577,200, or 83 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 2010. 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.

Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

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.

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 2010 and fiscal year 2009:

Table 1
Net Assets

	Governmental Activities		
	2010	2009	Change
<u>Assets</u>			
Current and Other Assets	\$10,762,748	\$9,967,556	\$795,192
Capital Assets, Net	10,287,511	10,755,737	(468,226)
Total Assets	21,050,259	20,723,293	326,966
<u>Liabilities</u>			
Current and Other Liabilities	5,575,330	5,289,024	(286,306)
Long-Term Liabilities	4,769,378	4,832,172	62,794
Total Liabilities	10,344,708	10,121,196	(223,512)

(continued)

Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 1
Net Assets
(continued)

	Governmental Activities		
	2010	2009	Change
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	\$8,363,916	\$8,742,310	(\$378,394)
Restricted	1,065,693	691,023	374,670
Unrestricted	1,275,942	1,168,764	107,178
Total Net Assets	\$10,705,551	\$10,602,097	\$103,454

Although the overall change in net assets was not significant, less than 1 percent, there were several changes of note from the prior year. The 8 percent increase in current and other assets was primarily due to three factors. There was an increase in cash and cash equivalents of over \$277,000 due to an increase in open enrollment and the receipt of additional grant resources during the year, most notably from stimulus resources. There was also an increase in the intergovernmental receivables, again due to stimulus related resources. Lastly, there was an increase in the receivable for property taxes, the result of the 4.6 mill emergency operating levy approved by voters in May 2009. The effect of these increases is also reflected in the increase in both restricted and unrestricted net assets.

Table 2 reflects the change in net assets for fiscal year 2010 and fiscal year 2009:

Table 2
Change in Net Assets

	Governmental Activities		
	2010	2009	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$1,031,903	\$570,090	\$461,813
Operating Grants and Contributions	1,255,843	1,024,139	231,704
Capital Grants and Contributions		16,640	(16,640)
Total Program Revenues	2,287,746	1,610,869	676,877
General Revenues			
Property Taxes	4,283,509	4,356,436	(72,927)
Income Taxes	1,267,393	1,307,708	(40,315)
Grants and Entitlements	5,921,699	5,652,124	269,575
Interest	19,300	152,498	(133,198)
Gifts and Donations	6,338	2,544	3,794
Miscellaneous	78,961	124,673	(45,712)
Total General Revenues	11,577,200	11,595,983	(18,783)
Total Revenues	13,864,946	13,206,852	658,094

(continued)

Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities		
	2010	2009	Change
<u>Expenses</u>			
Instruction:			
Regular	\$5,993,005	\$6,472,121	\$479,116
Special	1,255,067	1,334,666	79,599
Vocational	376,502	343,017	(33,485)
Support Services:			
Pupils	1,067,660	1,033,062	(34,598)
Instructional Staff	439,481	592,914	153,433
Board of Education	13,261	14,557	1,296
Administration	956,991	969,329	12,338
Fiscal	313,564	313,113	(451)
Business	2,035	1,812	(223)
Operation and Maintenance of Plant	1,172,284	1,233,745	61,461
Pupil Transportation	585,338	608,074	22,736
Central	119,512	147,300	27,788
Non-Instructional Services	478,748	471,937	(6,811)
Extracurricular Activities	527,429	518,743	(8,686)
Interest and Fiscal Charges	460,615	476,135	15,520
Total Expenses	<u>13,761,492</u>	<u>14,530,525</u>	<u>769,033</u>
Increase (Decrease) in Net Assets	103,454	(1,323,673)	1,427,127
Net Assets at Beginning of Year	<u>10,602,097</u>	<u>11,925,770</u>	<u>(1,323,673)</u>
Net Assets at End of Year	<u>\$10,705,551</u>	<u>\$10,602,097</u>	<u>\$103,454</u>

Total revenues increased 5 percent from the prior fiscal year, with the majority being due to open enrollment tuition as well as the receipt of American Recovery and Reinvestment Act stimulus resources.

Expenses decreased 5 percent from the prior fiscal year. This was due to the School District opening mid-term negotiations during the summer of 2009 with several of the unions. The result was a 1 percent pay reduction, three contractual days worked without compensation, and changes in the insurance program.

As is to be expected, the instruction programs are the School District's largest expense, accounting for 55 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, 79 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, 2010
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	
	2010	2009	2010	2009
Instruction:				
Regular	\$5,993,005	\$6,472,121	\$5,399,169	\$6,317,886
Special	1,255,067	1,334,666	283,362	587,773
Vocational	376,502	343,017	332,122	298,983
Support Services:				
Pupils	1,067,660	1,033,062	1,059,787	1,015,884
Instructional Staff	439,481	592,914	432,622	592,914
Board of Education	13,261	14,557	13,261	14,557
Administration	956,991	969,329	956,991	969,329
Fiscal	313,564	313,113	313,564	313,113
Business	2,035	1,812	2,035	1,812
Operation and Maintenance of Plant	1,172,284	1,233,745	1,172,284	1,233,745
Pupil Transportation	585,338	608,074	565,611	574,938
Central	119,512	147,300	119,512	147,300
Non-Instructional Services	478,748	471,937	(40,561)	(14,658)
Extracurricular Activities	527,429	518,743	403,372	389,945
Interest and Fiscal Charges	460,615	476,135	460,615	476,135
Total Expenses	<u>\$13,761,492</u>	<u>\$14,530,525</u>	<u>\$11,473,746</u>	<u>\$12,919,656</u>

The table demonstrates that 83 percent of all of the School District's costs for fiscal year 2010 were provided for through general revenues (89 percent for fiscal year 2009). Only several of the School District's programs receive significant support from program revenues. For instance, the special instruction program paid for 77 percent of its costs through program revenues, those generally being operating grants restricted to special instruction programs. For both fiscal years 2010 and 2009, 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, 2010
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 increased 4 percent due, in large part, to the receipt of open enrollment monies. Fund balance in the Bond Retirement Fund decreased 2 percent due to costs associated with the refunding of the debt.

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 2010, the School District amended its General Fund budget as needed. For revenues, the change from the original budget to the final budget was not significant. Actual revenues were 7 percent less than estimates due to some revenue sources falling below projections. For expenditures, there was minimal change from the original budget to the actual budget. Actual expenditures were 15 percent less than the final budget due to mid-year negotiations with several of the unions that resulted in a 1 percent pay reduction, three contractual days worked without compensation, and changes in the insurance program.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$10,287,511 invested in capital assets (net of accumulated depreciation). Changes from the prior fiscal year were minimal. For further information regarding the School District's capital assets, refer to Note 12 to the basic financial statements.

Debt

At June 30, 2010, the School District had outstanding general obligation bonds, in the amount of \$4,040,305. During fiscal year 2010, the School District refunded a portion of the 1998 School Improvement Bonds. 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 17 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 contributing a significant influence on the local economy.

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

Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
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 County Road 9, Findlay, Ohio 45840.

Liberty Benton Local School District
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,260,102
Accounts Receivable	15,785
Accrued Interest Receivable	9,841
Intergovernmental Receivable	169,600
Income Taxes Receivable	566,789
Prepaid Items	10,603
Inventory Held for Resale	12,551
Materials and Supplies Inventory	9,806
Property Taxes Receivable	4,664,010
Payment in Lieu of Taxes Receivable	10,910
Unamortized Issuance Costs	32,751
Nondepreciable Capital Assets	930,570
Depreciable Capital Assets, Net	9,356,941
Total Assets	<u>21,050,259</u>
 <u>Liabilities:</u>	
Accounts Payable	37,261
Accrued Wages and Benefits Payable	946,106
Matured Compensated Absences Payable	1,129
Intergovernmental Payable	423,456
Deferred Revenue	4,162,619
Accrued Interest Payable	4,759
Long-Term Liabilities:	
Due Within One Year	125,876
Due in More Than One Year	4,643,502
Total Liabilities	<u>10,344,708</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	8,363,916
Restricted For:	
Capital Projects	188,071
Debt Service	459,538
Set Asides	42,620
Food Service	97,652
Athletics	70,942
Other Purposes	206,870
Unrestricted	1,275,942
Total Net Assets	<u>\$10,705,551</u>

See Accompanying Notes to Basic Financial Statements

Liberty Benton Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues	
Expenses	Charges for Services	Operating Grants and Contributions
<u>Governmental Activities:</u>		
Instruction:		
Regular	\$5,993,005	\$36,410
Special	1,255,067	947,026
Vocational	376,502	44,380
Support Services:		
Pupils	1,067,660	7,873
Instructional Staff	439,481	6,859
Board of Education	13,261	
Administration	956,991	
Fiscal	313,564	
Business	2,035	
Operation and Maintenance of Plant	1,172,284	
Pupil Transportation	585,338	19,727
Central	119,512	
Non-Instructional Services	478,748	190,702
Extracurricular Activities	527,429	2,866
Interest and Fiscal Charges	460,615	
Total Governmental Activities	\$13,761,492	\$1,255,843

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 - Restated (Note 3)
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in
Net Assets

Governmental
Activities

(\$5,399,169)
(283,362)
(332,122)

(1,059,787)
(432,622)
(13,261)
(956,991)
(313,564)
(2,035)

(1,172,284)
(565,611)
(119,512)
40,561

(403,372)
(460,615)

(11,473,746)

3,760,795
522,714
1,267,393
5,921,699
19,300
6,338
78,961

11,577,200

103,454

10,602,097

\$10,705,551

Liberty Benton Local School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,205,269	\$404,204	\$608,009	\$5,217,482
Accounts Receivable	15,785			15,785
Accrued Interest Receivable	9,841			9,841
Intergovernmental Receivable	1,597		168,003	169,600
Interfund Receivable	209			209
Income Taxes Receivable	566,789			566,789
Prepaid Items	10,603			10,603
Inventory Held for Resale			12,551	12,551
Materials and Supplies Inventory	8,090		1,716	9,806
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	42,620			42,620
Property Taxes Receivable	4,125,136	538,874		4,664,010
Payment in Lieu of Taxes Receivable	9,247	1,663		10,910
Total Assets	<u><u>\$8,995,186</u></u>	<u><u>\$944,741</u></u>	<u><u>\$790,279</u></u>	<u><u>\$10,730,206</u></u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$36,035		\$1,226	\$37,261
Accrued Wages and Benefits Payable	921,145		24,961	946,106
Matured Compensated Absences Payable			1,129	1,129
Intergovernmental Payable	400,108		23,348	423,456
Interfund Payable			209	209
Deferred Revenue	3,871,828	\$489,537	167,040	4,528,405
Total Liabilities	<u><u>5,229,116</u></u>	<u><u>489,537</u></u>	<u><u>217,913</u></u>	<u><u>5,936,566</u></u>
<u>Fund Balances:</u>				
Reserved for Property Taxes	383,000	51,000		434,000
Reserved for Capital Improvements	42,620			42,620
Reserved for Encumbrances	227,698		42,226	269,924
<u>Unreserved, Designated for:</u>				
Termination Benefits			175,871	175,871
<u>Unreserved, Undesignated Reported in:</u>				
General Fund	3,112,752			3,112,752
Special Revenue Funds			166,198	166,198
Debt Service Fund		404,204		404,204
Capital Projects Funds			188,071	188,071
Total Fund Balances	<u><u>3,766,070</u></u>	<u><u>455,204</u></u>	<u><u>572,366</u></u>	<u><u>4,793,640</u></u>
Total Liabilities and Fund Balances	<u><u>\$8,995,186</u></u>	<u><u>\$944,741</u></u>	<u><u>\$790,279</u></u>	<u><u>\$10,730,206</u></u>

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, 2010

Total Governmental Fund Balances		\$4,793,640
<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>		10,287,511
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Accounts Receivable	15,527	
Accrued Interest Receivable	4,932	
Intergovernmental Receivable	167,040	
Income Taxes Receivable	99,986	
Property Taxes Receivable	78,301	
		365,786
<p>Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.</p>		32,751
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Accrued Interest Payable	(4,759)	
General Obligation Bonds Payable	(4,040,305)	
Compensated Absences Payable	(729,073)	
		(4,774,137)
Net Assets of Governmental Activities		\$10,705,551

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, 2010

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$3,710,415	\$516,449		\$4,226,864
Income Taxes	1,237,418			1,237,418
Payment in Lieu of Taxes	5,262	1,027		6,289
Intergovernmental	5,876,119	118,291	\$1,014,888	7,009,298
Interest	23,834			23,834
Tuition and Fees	580,109			580,109
Extracurricular Activities			121,191	121,191
Charges for Services			328,607	328,607
Gifts and Donations			10,504	10,504
Miscellaneous	53,369	1,086	28,408	82,863
Total Revenues	<u>11,486,526</u>	<u>636,853</u>	<u>1,503,598</u>	<u>13,626,977</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,690,078		66,899	5,756,977
Special	1,136,644		95,144	1,231,788
Vocational	358,768			358,768
Support Services:				
Pupils	773,647		274,538	1,048,185
Instructional Staff	338,850		108,607	447,457
Board of Education	13,261			13,261
Administration	843,390		68,805	912,195
Fiscal	297,437	11,449		308,886
Business	2,035			2,035
Operation and Maintenance of Plant	825,915		275,809	1,101,724
Pupil Transportation	448,143		57,987	506,130
Central	99,922		5,000	104,922
Non-Instructional Services				
Extracurricular Activities	288,970		142,881	431,851
Capital Outlay	18,141		22,847	40,988
Debt Service:				
Principal Retirement		89,832		89,832
Interest and Fiscal Charges		546,994		546,994
Issuance Costs		32,751		32,751
Total Expenditures	<u>11,135,201</u>	<u>681,026</u>	<u>1,611,833</u>	<u>13,428,060</u>
Excess of Revenues Over (Under) Expenditures	<u>351,325</u>	<u>(44,173)</u>	<u>(108,235)</u>	<u>198,917</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	5,000			5,000
General Obligation Bonds Issued		1,570,000		1,570,000
Premium on Bonds Issued		48,032		48,032
Payment to Refunded Bond Escrow Agent		(1,585,281)		(1,585,281)
Transfers In			208,908	208,908
Transfers Out	(208,908)			(208,908)
Total Other Financing Sources (Uses)	<u>(203,908)</u>	<u>32,751</u>	<u>208,908</u>	<u>37,751</u>
Changes in Fund Balances	147,417	(11,422)	100,673	236,668
Fund Balances at Beginning of Year	3,618,653	466,626	471,693	4,556,972
Fund Balances at End of Year	<u>\$3,766,070</u>	<u>\$455,204</u>	<u>\$572,366</u>	<u>\$4,793,640</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, 2010

Changes in Fund Balances - Total Governmental Funds \$236,668

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 depreciation exceeds capital outlay in the current year:

Capital Outlay - Nondepreciable Capital Assets	1,677	
Capital Outlay - Depreciable Capital Assets	106,569	
Depreciation	<u>(568,635)</u>	(460,389)

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 loss on disposal of capital assets on the statement of activities.

Proceeds from the Sale of Capital Assets	(5,000)	
Loss on Disposal of Capital Assets	<u>(2,837)</u>	(7,837)

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

Property Taxes	56,645	
Income Taxes	29,975	
Payment in Lieu of Taxes	(6,289)	
Intergovernmental	164,078	
Interest	(4,534)	
Tuition and Fees	1,996	
Miscellaneous	<u>(3,902)</u>	237,969

Bond proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets. (1,570,000)

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

Payment to Refunded Bond Escrow Agent	1,585,281	
General Obligation Bonds	<u>89,832</u>	1,675,113

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

Accrued Interest Payable	1,498	
Annual Accretion on Capital Appreciation Bonds	(395,287)	
Payment of Accretion of Capital Appreciation Bonds	480,168	
Unamortized Premium	<u>(48,032)</u>	38,347

Issuance costs are reported as an expenditure when paid in the governmental funds but is accrued on outstanding debt on the statement of net assets. 32,751

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. (79,168)

Change in Net Assets of Governmental Activities \$103,454

See Accompanying Notes to the Basic Financial Statements

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$3,878,404	\$3,853,373	\$3,724,415	(\$128,958)
Income Taxes	1,469,889	1,469,889	1,223,583	(246,306)
Payment in Lieu of Taxes	1,000	1,000	9,247	8,247
Intergovernmental	6,165,698	6,165,698	5,878,341	(287,357)
Interest	266,000	266,000	48,443	(217,557)
Tuition and Fees	85,000	85,000	579,911	494,911
Gifts and Donations	200	200		(200)
Miscellaneous	471,772	506,772	47,226	(459,546)
Total Revenues	<u>12,337,963</u>	<u>12,347,932</u>	<u>11,511,166</u>	<u>(836,766)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,545,782	6,545,023	5,745,835	799,188
Special	1,392,938	1,393,317	1,139,240	254,077
Vocational	411,994	411,995	401,243	10,752
Adult/Continuing	216	216		216
Support Services:				
Pupils	885,615	885,618	772,306	113,312
Instructional Staff	403,294	403,728	344,518	59,210
Board of Education	11,922	11,922	13,625	(1,703)
Administration	972,626	972,626	871,688	100,938
Fiscal	334,508	334,509	301,406	33,103
Business	2,170	2,170	1,942	228
Operation and Maintenance of Plant	1,209,844	1,211,445	906,206	305,239
Pupil Transportation	622,626	622,630	482,387	140,243
Central	120,187	120,188	103,994	16,194
Extracurricular Activities	315,018	315,018	288,395	26,623
Capital Outlay	249,554	247,901	18,141	229,760
Total Expenditures	<u>13,478,294</u>	<u>13,478,306</u>	<u>11,390,926</u>	<u>2,087,380</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,140,331)</u>	<u>(1,130,374)</u>	<u>120,240</u>	<u>1,250,614</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets			5,000	5,000
Other Financing Sources			3,466	3,466
Refund of Prior Year Expenditures	9,300	9,300	10,652	1,352
Transfers Out	(243,276)	(243,276)	(208,908)	34,368
Total Other Financing Sources (Uses)	<u>(233,976)</u>	<u>(233,976)</u>	<u>(189,790)</u>	<u>44,186</u>
Changes in Fund Balance	(1,374,307)	(1,364,350)	(69,550)	1,294,800
Fund Balance at Beginning of Year	3,702,328	3,702,328	3,702,328	
Prior Year Encumbrances Appropriated	369,816	369,816	369,816	
Fund Balance at End of Year	<u>\$2,697,837</u>	<u>\$2,707,794</u>	<u>\$4,002,594</u>	<u>\$1,294,800</u>

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$65,128</u></u>
 <u>Liabilities:</u>	
Undistributed Assets	1,326
Due to Students	<u>63,802</u>
Total Liabilities	<u><u>\$65,128</u></u>

See Accompanying Notes to the Basic Financial Statements

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 415th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by sixty-nine classified employees, ninety-eight certified teaching personnel, and six administrative employees who provide services to one thousand two hundred thirty-seven 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 20 and 21 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.

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 and contributions 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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 2010. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Property taxes for which there was an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 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.

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 final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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 2010, 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, 2010.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2010 was \$23,834, which included \$4,662 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, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the acquisition and construction of capital improvements.

Note 2 - Summary of Significant Accounting Policies (continued)

J. 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:

Description	Useful Lives
Land Improvements	20 years
Buildings and Building Improvements	18 - 109 years
Furniture, Fixtures, and Equipment	5 - 40 years
Vehicles	10 - 15 years

K. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from interfund loans are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities are eliminated on the statement of net assets.

L. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

M. 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.

N. Unamortized Issuance Costs and Premiums

On government-wide financial statements, issuance costs and bond premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond premiums are presented as an addition to the face amount of bonds payable.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

O. Unamortized Loss on Advance Refunding

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a reduction of the face amount of the new debt.

P. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

Q. 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, the acquisition and construction of capital improvements, 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.

R. 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.

S. Estimates

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

Note 3 - Changes in Accounting Principles and Restatement of Net Assets

A. Changes in Accounting Principles

For fiscal year 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, Statement No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. 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.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

Note 3 - Changes in Accounting Principles and Restatement of Net Assets (continued)

B. Restatement of Net Assets

In fiscal year 2010, the School District changed the accounting treatment applied to the receivable for payment in lieu of taxes. Based on guidance from GASB, this receivable is presently considered a non-exchange transaction and a one year receivable is being recorded. In prior years, this was considered an exchange transaction and the entire receivable was recognized in the initial year.

	Governmental Activities
Net Assets at June 30, 2009	<u>\$11,036,574</u>
Payment in Lieu of Taxes Receivable	<u>(434,477)</u>
Restated Net Assets at June 30, 2009	<u>\$10,602,097</u>

Note 4 - Compliance

The Public School Support special revenue fund had final appropriations in excess of estimated resources plus available balances, in the amount of \$2,808, for the fiscal year ended June 30, 2010.

The Bond Retirement debt service fund had expenditures plus encumbrances in excess of appropriations, in the amount of \$19,276, for the fiscal year ended June 30, 2010.

The Treasurer will review budgetary activity to ensure that appropriations are within estimated resources and that expenditures are within appropriations.

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).

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 5 - Budgetary Basis of Accounting (continued)

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

Changes in Fund Balance	
GAAP Basis	\$147,417
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2009, Received in Cash FY 2010	871,695
Accrued FY 2010, Not Yet Received in Cash	(856,567)
Expenditure Accruals:	
Accrued FY 2009, Paid in Cash FY 2010	(1,361,714)
Accrued FY 2010, Not Yet Paid in Cash	1,357,288
Cash Adjustments:	
Unrecorded Activity FY 2009	13,236
Unrecorded Activity FY 2010	10,394
Prepaid Items	5,136
Materials and Supplies Inventory	(537)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(255,898)
Budget Basis	(\$69,550)

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.

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 6 - Deposits and Investments (continued)

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.

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, 2010, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreements	\$1,339,926	7/1/10
Mutual Fund	16,429	average 21 days
Mutual Fund	1,247,382	average 40 days
Federal Home Loan Mortgage Corporation Notes	300,930	8/12/10
Federal Home Loan Bank Bonds	300,000	7/31/10
Federal Home Loan Bank Notes	404,500	10/1/12
STAR Ohio	648,308	average 56 days
Total Investments	<u>\$4,257,475</u>	

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 6 - Deposits and Investments (continued)

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 agreements (Government National Mortgage Association Bonds) carry a rating of AAA by Moodys. The mutual funds and the federal agency securities carry a rating of AAA by Moodys or by Standard and Poor and STAR Ohio carries a rating of AAA by Standards and Poor. 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 page 32. 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.

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:

	Fair Value	Percentage of Portfolio
Repurchase Agreements	\$1,339,926	31.5%
Federal Home Loan Mortgage Corporation	300,930	7.1
Federal Home Loan Bank	704,500	16.5

Note 7 - Receivables

Receivables at June 30, 2010, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, interfund, 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 and property 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.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Ohio Department of Taxation	\$1,597

(continued)

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 7 - Receivables (continued)

	<u>Amount</u>
Other Governmental Funds	
Special Education Part B	\$123,122
Title I	42,796
IDEA	1,296
Title II-D	789
Total Other Governmental Funds	<u>168,003</u>
Total Governmental Activities	<u><u>\$169,600</u></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.

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 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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.

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 9 - Property Taxes (continued)

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 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 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the 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, 2010, are available to finance fiscal year 2010 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, 2010, 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 is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$383,000 in the General Fund and \$51,000 in the Bond Retirement debt service fund. 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.

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 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$116,004,080	76.34%	\$118,021,640	76.94%
Industrial/Commercial	28,815,780	18.96	27,852,050	18.15
Public Utility	7,135,820	4.70	7,539,160	4.91
Total Assessed Value	<u>\$151,955,680</u>	<u>100.00%</u>	<u>\$153,412,850</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.01		\$43.54	

In May 2009, the voters approved a new 4.6 mill emergency operating levy.

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 and County 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 - Interfund Assets/Liabilities

At June 30, 2010, the General Fund had an interfund receivable, in the amount of \$209, from other governmental funds for loans made to those funds.

Note 12 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$930,570			\$930,570
Construction in Progress	9,832	\$1,677	\$(11,509)	
Total Nondepreciable Capital Assets	940,402	1,677	(11,509)	930,570
Depreciable Capital Assets				
Land Improvements	1,221,159			1,221,159
Buildings and Building Improvements	14,667,615	16,114		14,683,729
Furniture, Fixtures, and Equipment	1,430,828	101,964	(51,636)	1,481,156
Vehicles	1,090,136		(104,300)	985,836
Total Depreciable Capital Assets	18,409,738	118,078	(155,936)	18,371,880
Less Accumulated Depreciation				
Land Improvements	(289,074)	(60,012)		(349,086)
Buildings and Building Improvements	(6,965,024)	(349,411)		(7,314,435)
Furniture, Fixtures, and Equipment	(750,989)	(99,100)	51,636	(798,453)
Vehicles	(589,316)	(60,112)	96,463	(552,965)
Total Accumulated Depreciation	(8,594,403)	(568,635)	148,099	(9,014,939)
Depreciable Capital Assets, Net	9,815,335	(450,557)	(7,837)	9,356,941
Governmental Activities Capital Assets, Net	\$10,755,737	(\$448,880)	(\$19,346)	\$10,287,511

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 12 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$194,931
Special	21,553
Vocational	17,189
Support Services:	
Pupils	17,723
Instructional Staff	24,627
Administration	18,427
Fiscal	3,649
Operation and Maintenance of Plant	76,387
Pupil Transportation	66,233
Central	14,590
Non-Instructional Services	12,748
Extracurricular Activities	100,578
Total Depreciation Expense	<u><u>\$568,635</u></u>

Note 13 - 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 2010, the School District contracted for the following insurance coverage:

Coverage provided by The Netherlands Insurance Company is as follows:

Building and Contents	\$38,256,095
General School District Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
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
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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 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.

Note 13 - Risk Management

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., reviews 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.

Note 14 - 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, 2010, 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.

Note 14 - Defined Benefit Pension Plans (continued)

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$678,285, \$695,306, and \$647,400 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DCP and CP for fiscal year 2010 were \$18,056 made by the School District and \$21,682 made by plan members.

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, 2010, 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 2010, 12.78 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, 2010, 2009, and 2008 was \$188,146, \$137,285, and \$135,572 respectively; 13 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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, 2010, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 15 - 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.

Note 15 - Postemployment Benefits (continued)

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 2010, 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, 2010, 2009, and 2008 was \$53,565, \$54,739, and \$50,959 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008

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 2010, .46 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 2010, the surcharge amount was \$29,444.

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, 2010, 2009, and 2008 was \$6,772, \$62,828, and \$61,866 respectively; 13 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$11,189, \$11,327, and \$9,768 respectively; 13 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 16 - 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.

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 17 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10	Amounts Due Within One Year
General Obligation Bonds					
1998 School Improvement Refunding					
Term Bonds 5%	\$1,575,000		\$1,575,000		
Capital Appreciation Bonds	438,427		\$89,832	\$348,595	\$76,591
Accretion on Capital Appreciation Bonds	2,168,840	\$395,287	480,168	2,083,959	
FY 2010 School Improvement Refunding					
Term Bonds 3.65% - 4.00%		1,570,000		1,570,000	
Premium		48,032		48,032	
Accounting Loss		(10,281)		(10,281)	
Total General Obligation Bonds	4,182,267	2,003,038	2,145,000	4,040,305	76,591
Compensated Absences Payable	649,905	112,772	33,604	729,073	49,285
Total Governmental Activities Long-Term Liabilities	<u>\$4,832,172</u>	<u>\$2,115,810</u>	<u>\$2,178,604</u>	<u>\$4,769,378</u>	<u>\$125,876</u>

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 17 - Long-Term Obligations (continued)

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 original 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 remaining balance of the term bonds was advance refunded during fiscal 2010.

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 \$3,990,000. For fiscal year 2010, \$395,287 was accreted and \$480,168 was paid on the capital appreciation bonds for a total outstanding bond value of \$2,432,554 at fiscal year end.

At June 30, 2010, \$754,800 of the refunded 1994 school improvement general obligation bonds was still outstanding.

FY 2010 School Improvement Refunding Bonds - On December 16, 2009, the School District issued bonds, in the amount of \$1,570,000, to partially refund bonds previously issued in 1998 for constructing, furnishing and equipping a new high school and improvement to other School District buildings. The refunding bond issue includes term bonds, in the amount of \$1,570,000. The term bonds were issued at a premium of \$48,032. The bonds were issued for a ten year period, with final maturity during fiscal year 2020.

Although the refunding will result in the recognition of an accounting loss of \$10,281, the School District in effect decreased its aggregated debt service payments by \$178,713 over the next ten years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$164,806.

The net proceeds of the refunding bond issue were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the 1998 school improvement bonds. As a result, \$1,575,000 of the 1998 school improvement bonds is considered to be defeased and the liability for the bonds has been removed from the School District's financial statements. At June 30, 2010, none of the refunded bonds was still outstanding. On January 18, 2010, the School District exercised its option to call the bonds.

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

The School District's overall debt margin was \$11,667,944 with an unvoted debt margin of \$145,904 at June 30, 2010.

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 17 - Long-Term Obligations (continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2010, were as follows:

Fiscal Year Ending June 30,	General Obligations Bonds			Total
	Term	Capital	Interest	
2011		\$76,591	\$553,302	\$629,893
2012		65,299	564,594	629,893
2013		55,678	574,215	629,893
2014		47,470	582,422	629,892
2015		40,162	589,730	629,892
2016-2020	\$1,570,000	63,395	1,284,228	2,917,623
	<u>\$1,570,000</u>	<u>\$348,595</u>	<u>\$4,148,491</u>	<u>\$6,067,086</u>

Note 18 - 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.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2010.

	Textbooks	Capital Improvements
Balance June 30, 2009	(\$1,491,157)	
Current Year Set Aside Requirement	207,661	\$207,661
Current Year Offsets		(131,601)
Qualifying Expenditures	(226,023)	(33,440)
Reserve Balance June 30, 2010	<u>(\$1,509,519)</u>	<u>\$42,620</u>
Amount Carried Forward to Fiscal Year 2011	<u>(\$1,509,519)</u>	<u>\$42,620</u>

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

Note 19 - Interfund Transfers

During fiscal year 2010, the General Fund made transfers to other governmental funds, in the amount of \$208,908, to subsidize permanent improvements, severance payments, and operations of other governmental funds.

Note 20 - 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 2010, the School District paid \$24,945 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.

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.

Note 20 - Jointly Governed Organizations (continued)

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 21 - 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 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.

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 22 - 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, 2010.

B. Litigation

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<u>Child Nutrition Cluster</u>			
School Breakfast Program	10.553	\$20,090	\$20,090
National School Lunch Program	10.555		
Cash Assistance		121,276	121,276
Non-Cash Assistance (Commodities)		40,321	40,321
Total National School Lunch Program		<u>161,597</u>	<u>161,597</u>
Total U.S. Department of Agriculture		<u>181,687</u>	<u>181,687</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Javists Gifted and Talented Students Education Grant Program	84.206	500	
Safe and Drug-Free Schools and Communities - State Grants	84.186	2,873	2,873
Education Technology State Grants	84.318	88	
Improving Teacher Quality State Grants	84.367	28,431	28,431
ARRA - State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act	84.394	330,491	330,491
<u>Title I, Part A Cluster</u>			
Title I Grants to Local Educational Agencies	84.010	88,364	88,573
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	37,871	37,871
Total Title I, Part A Cluster		<u>126,235</u>	<u>126,444</u>
<u>Special Education Cluster</u>			
Special Education-Grants to States	84.027	200,612	200,612
Special Education-Preschool Grants	84.173	4,405	4,405
ARRA - Special Education-Grants to States, Recovery Act	84.391	107,999	107,999
ARRA - Special Education-Preschool Grants, Recovery Act	84.392	6,400	6,400
Total Special Education Cluster		<u>319,416</u>	<u>319,416</u>
Total U.S. Department of Education		<u>808,034</u>	<u>807,655</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Education</i>			
Maternal and Child Health Federal Consolidated Programs	93.110	100	100
Total Federal Awards Receipts and Expenditures		<u>\$989,821</u>	<u>\$989,442</u>

The Notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this schedule.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Liberty Benton Local School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.



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, Ohio (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 2010. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 9, 2010.

We intend this report solely for the information and use of management, the Audit and Finance Committees, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 9, 2010



Mary Taylor, CPA
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of Liberty Benton Local School District, Hancock County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Liberty Benton Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 9, 2010.

We intend this report solely for the information and use of the Audit and Finance Committees, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 9, 2010

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	ARRA State Fiscal Stabilization Fund – Education State Grants CFDA #84.394 Special Education Cluster: Special Education – Grants to States CFDA #84.027 Special Education – Preschool Grants CFDA #84.173 ARRA - Special Education – Grants to States CFDA #84.391 ARRA Special Education – Preschool Grants CFDA #84.392
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



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 4, 2011**