



**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2005**



**Auditor of State  
Betty Montgomery**



**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty Benton Local School District, Hancock County (the District), as of and for the year ended June 30, 2005, 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 the Liberty Benton Local School District, Hancock County, as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the basic financial statements, the District restated its General Fund and Other Governmental Fund Balances to account for the implementation of Governmental Accounting Standards Board Technical Bulletin 2004-2, Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 25, 2006

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The discussion and analysis of the Liberty Benton Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2005 are as follows:

- In total, net assets increased \$1,066,911.
- General revenues accounted for \$10,846,790, or 89 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$1,406,044, or 11 percent of total revenues of \$12,252,834.
- The District's major funds included the General Fund and the Bond Retirement Fund. The General Fund had \$10,599,540 in revenues and other financing sources and \$9,907,832 in expenditures and other financing uses. The General Fund's balance increased \$691,708 from the prior fiscal year. The Bond Retirement Debt Service Fund had \$677,364 in revenues and \$702,388 in expenditures. The Bond Retirement Fund's balance decreased \$25,024 from the prior fiscal year.

**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 the District as a financial whole, or as an entire operating entity. These statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column. For the District, the general fund and bond retirement fund are by far the most significant funds and the only governmental funds reported as major funds.

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

**Reporting the District's Most Significant Funds**

**Fund Financial Statements**

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

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

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



**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2005 compared to fiscal year 2004.

<b>Table 1</b>		
<b>Net Assets</b>		
<b>Governmental Activities</b>		
	<b>2005</b>	<b>2004</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$11,344,789	\$9,921,419
Capital Assets, Net	9,540,427	9,605,376
Total Assets	20,885,216	19,526,795
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	5,081,232	4,526,470
Long-Term Liabilities	6,624,456	6,887,708
Total Liabilities	11,705,688	11,414,178
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	5,430,583	4,940,011
Restricted	930,470	745,615
Unrestricted	2,818,475	2,426,991
Total	\$9,179,528	\$8,112,617

There was a significant increase in taxes receivable and deferred revenue during fiscal year 2005.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2005 compared to fiscal year 2004.

**Table 2  
Change in Net Assets  
Governmental Activities**

	<b>2005</b>	<b>2004</b>
<b>Revenues:</b>		
Program Revenues:		
Charges for Services and Sales	\$475,976	\$473,282
Operating Grants and Contributions	907,477	789,853
Capital Grants and Contributions	22,591	11,185
Total Program Revenues	<u>1,406,044</u>	<u>1,274,320</u>
General Revenues:		
Property Taxes	4,398,477	4,350,027
Income Taxes	1,119,258	1,020,958
Grants and Entitlements	5,086,568	4,768,774
Interest	141,634	86,302
Gifts and Donations	3,378	20,590
Miscellaneous	97,475	116,671
Total General Revenues	<u>10,846,790</u>	<u>10,363,322</u>
Total Revenues	<u>12,252,834</u>	<u>11,637,642</u>
<b>Expenses:</b>		
Instruction	6,094,068	6,091,920
Support Services:		
Pupils	797,862	632,328
Instructional Staff	464,210	574,435
Board of Education	10,403	13,085
Administration	707,185	714,373
Fiscal	243,424	253,423
Business	1,568	1,626
Operation and Maintenance of Plant	1,105,829	1,084,348
Pupil Transportation	511,094	527,152
Central	125,673	101,678
Non-Instructional	423,811	414,815
Extracurricular Activities	235,759	402,594
Interest and Fiscal Charges	465,037	486,415
Total Expenses	<u>11,185,923</u>	<u>\$11,298,192</u>
Increase in Net Assets	<u>\$1,066,911</u>	<u>\$339,450</u>

The District received additional grant monies during fiscal year 2005.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**Governmental Activities**

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

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
Instruction	\$6,094,068	\$5,471,315	\$6,091,920	\$5,519,200
Support Services:				
Pupils	797,862	585,753	632,328	496,262
Instructional Staff	464,210	427,023	574,435	552,274
Board of Education	10,403	10,403	13,085	13,085
Administration	707,185	707,185	714,373	714,373
Fiscal	243,424	243,424	253,423	253,423
Business	1,568	1,568	1,626	1,626
Operation and Maintenance of Plant	1,105,829	1,105,829	1,084,348	1,084,348
Pupil Transportation	511,094	480,186	527,152	489,499
Central	125,673	120,673	101,678	96,678
Non-Instructional	423,811	17,561	414,815	13,081
Extracurricular Activities	235,759	143,922	402,594	303,608
Interest and Fiscal Charges	465,037	465,037	486,415	486,415
Total Expenses	<u>\$11,185,923</u>	<u>\$9,779,879</u>	<u>\$11,298,192</u>	<u>\$10,023,872</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 90 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 87 percent. The remaining 13 percent are derived from tuition and fees, specific grants, and donations.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Bond Retirement Fund. Total governmental funds had revenues and other financing sources of \$12,541,263 and expenditures and other financing uses of \$11,676,347. The net positive change of \$864,916 in fund balance for the year indicates that the District is able to meet current costs.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2005, the District amended its General Fund budget as needed.

Final expenditures and other financing uses were budgeted at \$10,667,574 while actual expenditures and other financing uses were \$10,026,240. The \$641,334 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2005, the District had \$9,540,427 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see the notes to the basic financial statements.

**Debt**

At June 30, 2005, the District had \$6,122,061 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-two year period, with final maturity on June 20, 2020. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2005, the District's overall legal debt margin was \$7,453,987, with an un-voted debt margin of \$154,843.

For further information regarding the District's debt, see the notes to the basic financial statements.

**Current Issues**

The District is holding its own in the state of a declining economy and uncertainty in State funding. Liberty Benton is comprised of portions of Liberty, Blanchard, and Eagle Townships, with an approximate population of 9,000. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District relies on local property tax and income tax and state foundation monies. 45.8 percent of District revenue sources is from local funds, 50.1 percent is from state funds and the remaining 4.1 percent is from federal funds. The total expenditure per pupil was calculated at \$7,221.

Over the past several years, the District has remained in a stable financial position. In August 2004, the District passed a five-year emergency levy to generate \$724,600 annually. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

**Contacting the District's Financial Management**

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Net Assets  
June 30, 2005**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 6,311,187
Cash and Cash Equivalents with Fiscal Agents	677
Materials and Supplies Inventory	25,945
Accrued Interest Receivable	2,560
Accounts Receivable	10,185
Intergovernmental Receivable	24,430
Prepaid Items	72,469
Taxes Receivable	4,372,515
Income Taxes Receivable	524,821
Non-Depreciable Capital Assets	833,317
Depreciable Capital Assets, net	<u>8,707,110</u>
Total Assets	<u><u>20,885,216</u></u>
 <b>LIABILITIES:</b>	
Accounts Payable	54,724
Accrued Wages and Benefits	807,938
Intergovernmental Payable	241,055
Matured Compensated Absences Payable	64,055
Deferred Revenue	3,913,460
Long-Term Liabilities:	
Due Within One Year	518,352
Due in More Than One Year	<u>6,106,104</u>
Total Liabilities	<u><u>11,705,688</u></u>
 <b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	5,430,583
Restricted for Debt Service	369,088
Restricted for Capital Outlay	534,044
Restricted for Other Purposes	27,338
Unrestricted	<u>2,818,475</u>
Total Net Assets	<u><u>\$ 9,179,528</u></u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2005**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 4,434,408	\$ 83,341	\$ 68,345	\$	(4,282,722)
Special	784,699		422,143		(362,556)
Vocational	319,540		48,364		(271,176)
Adult/Continuing	562	560			(2)
Other	554,859				(554,859)
Support Services:					
Pupils	797,862		212,109		(585,753)
Instructional Staff	464,210		24,797	12,390	(427,023)
Board of Education	10,403				(10,403)
Administration	707,185				(707,185)
Fiscal	243,424				(243,424)
Business	1,568				(1,568)
Operation and Maintenance of Plant	1,105,829				(1,105,829)
Pupil Transportation	511,094		20,707	10,201	(480,186)
Central	125,673		5,000		(120,673)
Operation of Non-Instructional Services	423,811	300,238	106,012		(17,561)
Extracurricular Activities	235,759	91,837			(143,922)
Debt Service:					
Interest and Fiscal Charges	465,037				(465,037)
Totals	\$ <u>11,185,923</u>	\$ <u>475,976</u>	\$ <u>907,477</u>	\$ <u>22,591</u>	<u>(9,779,879)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					3,784,310
Property Taxes, Levied for Debt Service					614,167
Income Taxes					1,119,258
Grants and Entitlements not Restricted to Specific Programs					5,086,568
Gifts and Donations					3,378
Investment Earnings					141,634
Miscellaneous					97,475
Total General Revenues					<u>10,846,790</u>
Change in Net Assets					1,066,911
Net Assets Beginning of Year					<u>8,112,617</u>
Net Assets End of Year					<u>\$ 9,179,528</u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2005**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 5,285,488	\$ 306,721	\$ 718,978	\$ 6,311,187
Cash and Cash Equivalents with Fiscal Agents			677	677
Materials and Supplies Inventory	6,194		19,751	25,945
Accrued Interest Receivable	2,560			2,560
Accounts Receivable	9,466		719	10,185
Intergovernmental Receivable			24,430	24,430
Prepaid Items	68,163		4,306	72,469
Taxes Receivable	3,804,660	567,855		4,372,515
Income Taxes Receivable	524,821			524,821
<b>Total Assets</b>	<b>\$ 9,701,352</b>	<b>\$ 874,576</b>	<b>\$ 768,861</b>	<b>\$ 11,344,789</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	46,749		7,975	54,724
Accrued Wages and Benefits	782,729		25,209	807,938
Intergovernmental Payable	226,858		14,197	241,055
Matured Compensated Absences Payable	32,016		32,039	64,055
Deferred Revenue	3,538,069	514,717		4,052,786
<b>Total Liabilities</b>	<b>4,626,421</b>	<b>514,717</b>	<b>79,420</b>	<b>5,220,558</b>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	112,034		44,803	156,837
Reserved for Prepaid Items	68,163		4,306	72,469
Reserved for Property Taxes	327,861	53,138		380,999
Unreserved, Designated:				
Designated for Termination Benefits			67,032	67,032
Unreserved, Undesignated, Reported in:				
General Fund	4,566,873			4,566,873
Special Revenue Funds			42,356	42,356
Debt Service Funds		306,721		306,721
Capital Projects Funds			530,944	530,944
<b>Total Fund Balances</b>	<b>5,074,931</b>	<b>359,859</b>	<b>689,441</b>	<b>6,124,231</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,701,352</b>	<b>\$ 874,576</b>	<b>\$ 768,861</b>	<b>\$ 11,344,789</b>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2005**

Total Governmental Fund Balances	\$	6,124,231
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		9,540,427
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds		139,326
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	\$ (6,122,061)	
Capital Leases Payable	(51,417)	
Compensated Absences Payable	(450,978)	
		(6,624,456)
Net Assets of Governmental Activities	\$	9,179,528

See Accompanying Notes to the Basic Financial Statements



**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2005**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 3,773,166	\$ 614,435		\$ 4,387,601
Income Tax	1,126,440			1,126,440
Intergovernmental	5,413,155	62,929	540,552	6,016,636
Interest	141,634			141,634
Tuition and Fees	77,493			77,493
Rent	6,408			6,408
Extracurricular Activities	335		91,502	91,837
Gifts and Donations			3,378	3,378
Customer Sales and Services			300,238	300,238
Miscellaneous	43,739		36,566	80,305
Total Revenues	<u>10,582,370</u>	<u>677,364</u>	<u>972,236</u>	<u>12,231,970</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	4,418,331		100,589	4,518,920
Special	675,433		93,381	768,814
Vocational	298,209			298,209
Adult/Continuing	562			562
Other	554,859			554,859
Support Services:				
Pupils	564,320		214,578	778,898
Instructional Staff	383,856		54,641	438,497
Board of Education	10,403			10,403
Administration	666,520	531	26,710	693,761
Fiscal	226,971	11,597	1,042	239,610
Business	1,568			1,568
Operation and Maintenance of Plant	955,620		16,813	972,433
Pupil Transportation	443,234		13,603	456,837
Central	103,329		10,000	113,329
Operation of Non-Instructional Services				
Extracurricular Activities	244,259		406,900	406,900
Capital Outlay	31,116		82,927	327,186
Debt Service:			44,943	76,059
Principal	37,119	510,000		547,119
Interest		180,260		180,260
Total Expenditures	<u>9,615,709</u>	<u>702,388</u>	<u>1,066,127</u>	<u>11,384,224</u>
Excess of Revenues Over (Under) Expenditures	<u>966,661</u>	<u>(25,024)</u>	<u>(93,891)</u>	<u>847,746</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In			292,123	292,123
Proceeds from Sale of Fixed Assets	17,170			17,170
Transfers Out	<u>(292,123)</u>			<u>(292,123)</u>
Total Other Financing Sources and Uses	<u>(274,953)</u>		<u>292,123</u>	<u>17,170</u>
Net Change in Fund Balances	691,708	(25,024)	198,232	864,916
Fund Balance Restated at Beginning of Year	4,383,223	384,883	491,209	5,259,315
Fund Balance at End of Year	<u>\$ 5,074,931</u>	<u>\$ 359,859</u>	<u>\$ 689,441</u>	<u>\$ 6,124,231</u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement Activities  
For the Fiscal Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds \$ 864,916

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

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

Capital Outlay - Depreciable Capital Assets	\$ 425,608	
Depreciation	<u>(480,295)</u>	(54,687)

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

Loss on Disposal of Capital Assets		(10,262)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.		3,692
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Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.		547,119
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Interest charges reported on the statement of activities, that do not require the use of current financial resources, are not reported as expenditures in governmental funds.		(284,777)
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Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		910
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Change in Net Assets of Governmental Activities	\$	<u><u>1,066,911</u></u>
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See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 3,626,837	\$ 3,584,002	\$ 3,689,136	\$ 105,134
Income Tax	972,977	961,486	1,006,433	44,947
Intergovernmental	4,903,384	4,845,472	5,413,155	567,683
Interest	106,806	105,545	139,217	33,672
Tuition and Fees	67,598	66,800	78,307	11,507
Rent	7,286	7,200	6,408	(792)
Miscellaneous	36,938	36,502	35,370	(1,132)
Total Revenues	<u>9,721,826</u>	<u>9,607,007</u>	<u>10,368,026</u>	<u>761,019</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	4,634,584	4,664,541	4,425,874	238,667
Special	748,715	779,415	691,559	87,856
Vocational	323,973	340,539	325,925	14,614
Adult/Continuing Instruction	820	820	560	260
Other	509,500	595,700	554,196	41,504
Support Services:				
Pupils	648,228	608,678	561,699	46,979
Instructional Staff	410,438	427,253	394,376	32,877
Board of Education	15,077	14,677	11,088	3,589
Administration	678,206	716,231	691,916	24,315
Fiscal	229,476	230,276	224,004	6,272
Business	1,967	1,967	1,679	288
Operation and Maintenance of Plant	1,032,362	1,078,511	1,003,471	75,040
Pupil Transportation	499,010	477,310	456,524	20,786
Central	99,869	112,643	106,540	6,103
Extracurricular Activities	258,158	254,258	242,668	11,590
Capital Outlay	46,939	48,189	42,038	6,151
Total Expenditures	<u>10,137,322</u>	<u>10,351,008</u>	<u>9,734,117</u>	<u>616,891</u>
Excess of Revenues Over (Under) Expenditures	<u>(415,496)</u>	<u>(744,001)</u>	<u>633,909</u>	<u>1,377,910</u>
Other Financing Sources and Uses:				
Transfers In	291,204	291,204	1,735	(289,469)
Advances In	3,702	3,702		(3,702)
Insurance Proceeds		2,339	2,339	-
Proceeds from Sale of Fixed Assets			17,170	17,170
Refund of Prior Year Expenditures		6,000	1,377	(4,623)
Transfers Out	(350,000)	(296,566)	(292,123)	4,443
Advances Out	(60,000)	(20,000)		20,000
Total Other Financing Sources and Uses	<u>(115,094)</u>	<u>(13,321)</u>	<u>(269,502)</u>	<u>(256,181)</u>
Net Change in Fund Balances	(530,590)	(757,322)	364,407	1,121,729
Fund Balance at Beginning of Year	4,604,002	4,604,002	4,604,002	
Prior Year Encumbrances Appropriated	185,255	185,255	185,255	
Fund Balance at End of Year	<u>\$ 4,258,667</u>	<u>\$ 4,031,935</u>	<u>\$ 5,153,664</u>	<u>\$ 1,121,729</u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005**

	<u>Agency Fund</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>51,558</u>
Total Assets	<u>51,558</u>
<b>Liabilities</b>	
Current Liabilities:	
Due to Students	<u>51,558</u>
Total Liabilities	\$ <u><u>51,558</u></u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Liberty-Benton Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District is the 519th largest district in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 63 classified employees and 98 certified teaching personnel, who provide services to 1,377 students and other community members. The District currently operates two instructional buildings.

**The Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the District.

The District participates in seven jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Cooperative Vocational Career Center, Hancock County Local Professional Development Committee, Ohio Schools Council Association, Northwestern Ohio Educational Research Council, Inc., West Central Regional Professional Development Center, Northwest Ohio Special Education Regional Resource Center, Hancock County Schools Health Benefit Fund and Trust, and the OSBA Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 16 and 17 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**A. Basis of Presentation**

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants 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 District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District has two major governmental funds.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Debt Service Fund - The Bond Retirement Debt Service Fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

The other governmental funds of the District account for grants, other resources and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District had no private purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results or operations. The District's agency funds account for various student managed activities.

**C. Measurement Focus**

Government-Wide Financial Statements

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

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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 generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on 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 statements for governmental funds.

Agency funds do not report a measurement focus as they do not report operations.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**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. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange 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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an 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 underlying exchange transaction occurred. 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 year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a 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 to be both measurable and available at fiscal year end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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



**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Expenditures/Expenses

On the accrual basis of accounting, 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. Allocation 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 budgetary control selected by the Board is at the fund level. Any budgetary modifications at this level may only be made by the Board of Education.

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

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

**F. Cash and Investments**

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

During fiscal year 2005, investments included federal agency securities, mutual funds, and STAR Ohio. Federal agency securities are reported at fair value, which is based on quoted market prices. Mutual funds are reported at fair value, which is based on current share 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, 2005.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2005 was \$141,634, which included \$25,521 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**G. Inventory**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, purchased food, and school supplies held for resale and are expensed when used. The cost of inventory items is recorded as an expenditure when purchased.

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is fifteen hundred dollars. The District does not possess any infrastructure. 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 reported capital assets, other than 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:

<b>Description</b>	<b>Estimated Lives</b>
Land Improvements	20 years
Buildings and Building Improvements	7 - 40 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets. The District had no interfund receivables/payables at June 30, 2005.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**J. Compensated Absences**

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

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

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in 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, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

**L. Net Assets**

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**M. Fund Balance Reserves and Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund reserves have been established for property taxes, prepaid items, 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 other governmental funds represents monies set aside by the Board for future payment of termination benefits.

**N. Interfund Transactions**

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.

Interfund activity between governmental funds is eliminated in the statement of activities.

**O. Prepaid Items**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**P. Estimates**

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**3. ACCOUNTING CHANGE AND PRIOR PERIOD ADJUSTMENT**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have any effect on financial statements of the District, however additional note disclosure can be found in Note 5. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Nonmajor</u>
Fund Balances, June 30, 2004	\$ 4,459,649	\$ 501,255
GASB Technical Bulletin No. 2004-2	<u>(76,426)</u>	<u>(10,046)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 4,383,223</u>	<u>\$ 491,209</u>

**4. BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING – (Continued)**

<b>Net Change in Fund Balance - General Fund</b>	
GAAP basis	\$ 691,708
Net adjustment for revenue accruals	(214,344)
Net adjustment for expenditure accruals	40,404
Net adjustment for other sources/uses	5,451
Adjustment for encumbrances	<u>(158,812)</u>
 Budget basis	 <u>\$ 364,407</u>

**5. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

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

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

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS – (Continued)**

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits with Financial Institutions**

At June 30, 2005, the carrying amount of all District deposits was \$2,289,277. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$2,012,822 of the District's bank balance of \$2,325,633 was exposed to custodial risk as discussed below, while \$312,811 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS – (Continued)**

**B. Investments**

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
FHLMC	\$ 891,394	\$ 248,518	\$ 197,798	\$ 445,078	
FHLB	544,852	99,438	198,344		247,070
FFCB	198,531	198,531			
FNMA	1,287,827	374,357	718,282	195,188	
Mutual Funds	156,394	156,394			
STAR Ohio	994,320	994,320	-	-	-
	<u>\$ 4,073,318</u>	<u>\$ 2,071,558</u>	<u>\$ 1,114,424</u>	<u>\$ 640,266</u>	<u>\$ 247,070</u>

The weighted average maturity of investments is .63 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The District's investments were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLMC	\$ 891,394	21.88%
FHLB	544,852	13.38%
FFCB	198,531	4.87%
FNMA	1,287,827	31.62%
Mutual Funds	156,394	3.84%
STAR Ohio	994,320	24.41%
	<u>\$ 4,073,318</u>	<u>100.00%</u>



**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS – (Continued)**

**C. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

	Amount
<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 2,289,277
Investments	4,073,318
Cash on hand	150
Total	\$ 6,362,745
	Amount
<u>Cash and Investments per Financial Statements</u>	
Governmental activities	\$ 6,311,187
Agency funds	51,558
Total	\$ 6,362,745

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes for 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, 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 real and tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of December 31, 2003, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**6. PROPERTY TAXES – (Continued)**

The District receives property taxes from Hancock County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The amount available as an advance at June 30, 2005, was \$327,861 in the General Fund and \$53,138 in the Debt Service Fund. The amount available as an advance at June 30, 2004, was \$243,831 in the General Fund and \$48,169 in the Debt Service Fund.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004, and for which there is 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 reported 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.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<b>2004 Second- Half Collections</b>		<b>2005 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$91,350,790	67%	\$102,025,630	66%
Industrial/Commercial	18,614,040	14%	26,287,470	17%
Public Utility	5,879,120	4%	6,090,960	4%
Tangible Personal	20,617,342	15%	20,439,350	13%
Total Assessed Value	<u>\$136,461,292</u>	<u>100%</u>	<u>\$154,843,410</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$43.71		\$43.08	

**7. INCOME TAXES**

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1995, and was renewed in 2002, and continues for eight years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and 25% of the collections are transferred to the permanent improvement fund by Board Resolution.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**8. RECEIVABLES**

Receivables at June 30, 2005, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the receivables reported on the Statement of Net Assets follows:

<b>Governmental Activities</b>	
Taxes	\$ 4,897,336
Accounts	10,185
Intergovernmental	24,430
Accrued interest	<u>2,560</u>
Total	<u>\$ 4,934,511</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**9. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance 06/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/05</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 833,317	\$ -	\$ -	\$ 833,317
Construction-in-progress	<u>8,400</u>	<u>-</u>	<u>(8,400)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>841,717</u>	<u>-</u>	<u>(8,400)</u>	<u>833,317</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,029,071			1,029,071
Buildings and building improvements	13,258,936	219,182		13,478,118
Furniture, fixtures and equipment	1,034,983	189,573	(45,490)	1,179,066
Vehicles	<u>907,651</u>	<u>16,853</u>	<u>(38,676)</u>	<u>885,828</u>
Total capital assets, being depreciated	<u>16,230,641</u>	<u>425,608</u>	<u>(84,166)</u>	<u>16,572,083</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(184,403)	(45,099)		(229,502)
Buildings and building improvements	(5,793,578)	(292,869)		(6,086,447)
Furniture, fixtures and equipment	(798,748)	(86,347)	43,628	(841,467)
Vehicles	<u>(690,253)</u>	<u>(55,980)</u>	<u>38,676</u>	<u>(707,557)</u>
Total accumulated depreciation	<u>(7,466,982)</u>	<u>(480,295)</u>	<u>82,304</u>	<u>(7,864,973)</u>
Depreciable Capital Assets, Net	<u>8,763,659</u>	<u>(54,687)</u>	<u>(1,862)</u>	<u>8,707,110</u>
Capital assets, net of accumulated depreciation	<u>\$ 9,605,376</u>	<u>\$ (54,687)</u>	<u>\$ (10,262)</u>	<u>\$ 9,540,427</u>

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**9. CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$87,331
Special	19,871
Vocational	19,629
Support Services:	
Pupils	17,057
Instructional Staff	31,387
Administration	15,828
Fiscal	3,661
Operation and Maintenance of Plant	113,205
Pupil Transportation	65,141
Central	14,161
Operation of Non-Instructional Services	17,641
Extracurricular	75,384
Total Depreciation Expense	<u><u>\$480,295</u></u>

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**10. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the District contracted for the following insurance coverage:

**Coverage provided by Indiana Insurance Company is as follows:**

Buildings, Contents, Boiler, and Machinery (\$2,500 deductible)	\$24,777,073
Sexual Misconduct	
Each Loss	1,000,000
Aggregate	1,000,000
Inland Marine	
Equipment	507,151
Software	161,550
Employee Benefits	
Each Loss	1,000,000
Aggregate	3,000,000
General School District Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Stop Gap	
Per Occurrence	1,000,000
Aggregate	2,000,000
Errors and Omissions	
Per Occurrence	1,000,000
Aggregate	1,000,000

**Coverage provided by Indiana Insurance Company is as follows:**

Automobile Liability	\$1,000,000
Uninsured Motorists	1,000,000
Umbrella Liability Insurance	2,000,000

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

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**10. RISK MANAGEMENT – (Continued)**

For fiscal year 2005, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**11. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, 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 DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently selected the DC or Combined Plan.

A DB or Combined Plan 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 DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS – (Continued)**

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contributions for pension obligations for the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$574,998, \$569,736 and \$516,916, respectively; 98 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$11,273 represents the unpaid contribution for fiscal year 2005.

**B. School Employees Retirement System**

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

For the fiscal year ended June 30, 2005, plan members are required to contribute 10 percent of their annual covered salary and the District was required to contribute at an actuarially determined rate. The rate for fiscal year 2005 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$133,627, \$114,270, and \$98,423 respectively; 89 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. \$19,029 represents the unpaid contribution for fiscal year 2005.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2005, two of the Board members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**12. POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.



**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS – (Continued)**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$44,231 during fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the healthcare allocation is 3.43%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the 2005 fiscal year, the District paid \$62,592 to fund health care benefits, including the surcharge.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of the next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 58,123.

**13. 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 10 to 20 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 and administrators, who are not on a twelve-month contract, 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 two hundred fifteen days for all employees, other than the superintendent, and one hundred eighty days for the superintendent. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of fifty-three and three-fourths days for teachers, administrators, and classified employees.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**13. OTHER EMPLOYEE BENEFITS – (Continued)**

**B. Health Care Benefits**

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

**14. LONG-TERM OBLIGATIONS**

Changes in the District's long-term obligations during fiscal year 2005 were as follows:

	Balance Outstanding <u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/05</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
<u>General Obligation Bonds:</u>					
School Improvement Refunding Bonds					
FY98 3.75%-5.25%	\$ 4,130,000	\$ -	\$ (510,000)	\$ 3,620,000	\$ 480,000
Capital appreciation bonds	<u>2,217,284</u>	<u>284,777</u>	<u>-</u>	<u>2,502,061</u>	<u>-</u>
Total general obligation bonds payable	<u>6,347,284</u>	<u>284,777</u>	<u>(510,000)</u>	<u>6,122,061</u>	<u>480,000</u>
<u>Other Long-Term Obligations:</u>					
Capital lease obligation	88,536		(37,119)	51,417	38,352
Compensated absences	<u>451,888</u>	<u>450,978</u>	<u>(451,888)</u>	<u>450,978</u>	<u>-</u>
Total other long-term obligations	<u>540,424</u>	<u>450,978</u>	<u>(489,007)</u>	<u>502,395</u>	<u>38,352</u>
Total governmental activities	<u>\$ 6,887,708</u>	<u>\$ 735,755</u>	<u>\$ (999,007)</u>	<u>\$ 6,624,456</u>	<u>\$ 518,352</u>

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

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**14. LONG-TERM OBLIGATIONS – (Continued)**

<u>Year</u>	<u>Amount</u>
2017	\$520,000
2018	545,000

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

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2009 through 2016. The maturity amount of the bonds is \$4,560,000. The present value (as of issue date) reported in the statement of net assets at June 30, 2005, was \$438,427. Total accreted interest of \$2,063,634 has been included in the statement of net assets at June 30, 2005.

The school improvement refunding bonds defeased in-substance \$6,604,053 in school improvement general obligation bonds. At June 30, 2005, \$249,054 of this debt was still outstanding.

Compensated absences and intergovernmental payables, representing the District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The District's overall debt margin was \$7,453,987 with an unvoted debt margin of \$154,843 at June 30, 2005.

The following is a summary of the future debt service requirements to maturity for the school improvement refunding bonds:

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 480,000	\$ 158,855	\$ 638,855	\$ -	\$ -	\$ -
2007	500,000	137,415	637,415			
2008	520,000	114,845	634,845			
2009	545,000	91,013	636,013	570,000		570,000
2010		78,750	78,750	570,000		570,000
2011-2015		393,750	393,750	2,850,000		2,850,000
2016-2020	1,575,000	275,125	1,850,125	570,000	-	570,000
Total	\$ 3,620,000	\$ 1,249,753	\$ 4,869,753	\$4,560,000	\$ -	\$4,560,000

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**15. CAPITALIZED LEASES – LESSEE DISCLOSURE**

The District entered into capitalized leases for the acquisition of athletic fitness equipment.

The terms of the agreement provides an option to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Fund Types. These expenditures are reflected as program/function expenditures on the budgetary statements.

Fixed assets acquired by lease have been capitalized in amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded. Principal payments in the 2005 fiscal year totaled \$37,119. This amount is reflected as debt service principal retirement in the General Fund.

The following is an analysis of the equipment under capital lease as of June 30, 2005:

**General Fixed Assets**

Athletic Fitness Equipment	\$ <u>112,396</u>
----------------------------	-------------------

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2005:

<b>General Long-Term Obligations</b>	
<b>Year Ending June 30,</b>	<b>Fitness Equipment</b>
2006	\$39,461
2007	13,154
Total Future Minimum Lease Payments	52,615
Less: Amount Representing Interest	(1,198)
Present Value of Future Minimum Lease Payments	\$51,417

The District does not have a capitalized lease obligation after fiscal year 2007.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

**B. Millstream Cooperative Vocational Career Center**

The Millstream Cooperative Vocational Career Center is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Career Center provides vocational instruction to students. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative from 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 Treasurer, 227 South West Street, Findlay, Ohio 45840-3377.

**C. Hancock County Local Professional Development Committee**

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

**D. Ohio Schools Council**

The Ohio Schools Council (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 Ohio Schools Council, 6133 Rockside Road, Independence, Ohio 44131.

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

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 that had not been encumbered.

**E. 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.

**F. West Central Regional Professional Development Center**

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

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

**G. Northwest Ohio Special Education Regional Resource Center**

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is made up of school districts from Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties. The SERRC is governed by a thirty-three member board consisting of twenty-six superintendents, one director of student services, one parent representative, one representative from a community school, one representative from a mental health board, one representative from a parent advisory council, one representative from Bowling Green State University, and one representative from the University of Toledo. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from David Michel, Eastwood Local Schools, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**17. INSURANCE POOLS**

**A. Ohio School Boards Association Workers' Compensation Group Rating Plan**

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

**B. Hancock County Schools Health Benefit Fund and Trust**

The Hancock County Schools Health Benefit Fund and Trust (Trust) is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The Trust 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 participants. The Administrative Committee of the Trust consists of the superintendent from each participating member. The Administrative Committee advises the trustee, Sky Bank, concerning aspects of the administration of the Trust.

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

**18. SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

The following cash basis information describes the change in the fund balance reserves for textbooks and capital improvements during fiscal year 2005.

	<b>Textbooks</b>	<b>Capital Acquisition</b>
Balance June 30, 2004	(\$588,818)	
Current Year Set-aside Requirement	186,562	\$186,562
Current Year Offset		(59,951)
Qualifying Expenditures	(314,585)	(126,611)
Amount Carried Forward to Fiscal Year 2006	(\$716,841)	

LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)

**19. INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	<u>\$ 292,123</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

**20. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

**B. Litigation**

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





## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty Benton Local School District, Hancock County (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 25, 2006, in which we noted the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-2, Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated May 25, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **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

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Liberty Benton Local School District  
Hancock County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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*. In a separate letter to the District's management dated May 25, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 25, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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**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  
JUNE 22, 2006**