



Mary Taylor, CPA
Auditor of State

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Benton Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Benton Local School District, Hancock County, Ohio, as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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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.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

February 18, 2009

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of Liberty Benton Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Highlights for fiscal year 2008 were as follows:

- Net assets decreased \$307,901, just over 2 percent, and not a significant change.
- General revenues were \$11,821,051, or 88 percent of total revenues, and demonstrate the District's significant dependence on property and income taxes as well as State funding.

Using the Basic Financial Statements

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

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

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

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

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

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Reporting the District's Most Significant Funds

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

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

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

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2008 and fiscal year 2007:

Table 1 Net Assets			
	Governmental Activities		
	2008	2007	Change
<u>Assets</u>			
Current and Other Assets	\$12,097,608	\$13,126,853	(\$1,029,245)
Capital Assets, Net	10,667,247	10,524,779	142,468
Total Assets	<u>22,764,855</u>	<u>23,651,632</u>	<u>(886,777)</u>
<u>Liabilities</u>			
Current and Other Liabilities	5,428,729	5,823,666	394,937
Long-Term Liabilities	4,975,879	5,159,818	183,939
Total Liabilities	<u>10,404,608</u>	<u>10,983,484</u>	<u>578,876</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	\$8,108,820	\$7,446,352	\$662,468
Restricted	689,937	557,250	132,687
Unrestricted	3,561,490	4,664,546	(1,103,056)
Total Net Assets	<u>\$12,360,247</u>	<u>\$12,668,148</u>	<u>\$307,901</u>

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

As reflected in the above table, the most significant change from the prior fiscal year was in current and other assets (almost 8 percent). This was largely due to a decrease in cash and cash equivalents, the result of spending cash carryover resources. This decrease is also reflected in the decrease in unrestricted net assets. The increase in invested in capital assets, net of related debt is due to the reduction of debt (principal payments made during the fiscal year).

Table 2 reflects the change in net assets for fiscal year 2008 and fiscal year 2007:

Table 2
Change in Net Assets

	Governmental Activities		
	2008	2007	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$555,238	\$554,231	\$1,007
Operating Grants, Contributions, and Interest	1,077,385	994,763	82,622
Capital Grants and Contributions	6,825	28,679	(21,854)
Total Program Revenues	<u>1,639,448</u>	<u>1,577,673</u>	<u>61,775</u>
General Revenues			
Property Taxes	4,444,031	4,296,688	147,343
Income Taxes	1,380,019	1,311,416	68,603
Payment in Lieu of Taxes		460,273	(460,273)
Grants and Entitlements	5,595,718	5,412,108	183,610
Interest	312,753	436,571	(123,818)
Gifts and Donations	2,918	2,677	241
Miscellaneous	85,612	162,588	(76,976)
Total General Revenues	<u>11,821,051</u>	<u>12,082,321</u>	<u>(261,270)</u>
Total Revenues	<u>13,460,499</u>	<u>13,659,994</u>	<u>(199,495)</u>

(Continued)

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

<u>Expenses</u>			
Instruction:			
Regular	\$6,118,971	\$5,853,934	(\$265,037)
Special	1,199,156	991,187	(207,969)
Vocational	327,414	368,416	41,002
Adult/Continuing		448	448
Support Services:			
Pupils	960,816	899,011	(61,805)
Instructional Staff	545,646	647,981	102,335
Board of Education	10,330	7,749	(2,581)
Administration	885,840	802,345	(83,495)
Fiscal	315,733	279,196	(36,537)
Business	1,768	1,580	(188)
Operation and Maintenance of Plant	1,218,121	1,047,605	(170,516)
Pupil Transportation Central	638,376	541,085	(97,291)
	151,954	131,953	(20,001)
Non-Instructional Services	465,529	450,893	(14,636)
Extracurricular Activities	490,400	430,304	(60,096)
Interest and Fiscal Charges	438,346	425,368	(12,978)
Total Expenses	<u>13,768,400</u>	<u>12,879,055</u>	<u>(889,345)</u>
Increase (Decrease) in Net Assets	(307,901)	780,939	(1,088,840)
Net Assets at Beginning of Year	<u>12,668,148</u>	<u>11,887,209</u>	<u>780,939</u>
Net Assets at End of Year	<u>\$12,360,247</u>	<u>\$12,668,148</u>	<u>(\$307,901)</u>

Revenues decreased slightly from the prior fiscal year; however, the decrease was not significant (less than 2 percent).

On the other hand, expenses increased from the prior fiscal year (almost 7 percent). As a result, there was a decrease in net assets.

Expenses increased in almost all programs, although none of the programs had significant increases. The largest, in the regular and special instruction programs resulted from increases in personnel costs. As is to be expected, the instruction programs are the District's largest expense, accounting for 56 percent of all governmental activities expenses. Combined with the support services related to instruction, such as pupils, instructional staff, operation and maintenance of plant, and pupil transportation, 80 percent of all of the District's expenses are directly related to delivering education and maintaining facilities.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported primarily from tax revenues.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction:				
Regular	\$6,118,971	\$5,853,934	\$5,987,905	\$5,661,923
Special	1,199,156	991,187	395,100	268,377
Vocational	327,414	368,416	282,866	325,206
Adult/Continuing		448		448
Support Services:				
Pupils	960,816	899,011	946,816	881,405
Instructional Staff	545,646	647,981	541,979	647,981
Board of Education	10,330	7,749	10,330	7,749
Administration	885,840	802,345	885,840	802,345
Fiscal	315,733	279,196	315,733	279,196
Business	1,768	1,580	1,768	1,580
Operation and Maintenance of Plant	1,218,121	1,047,605	1,218,121	1,047,605
Pupil Transportation	638,376	541,085	611,359	509,631
Central	151,954	131,953	151,954	131,953
Non-Instructional Services	465,529	450,893	(16,291)	(11,841)
Extracurricular Activities	490,400	430,304	357,126	322,456
Interest and Fiscal Charges	438,346	425,368	438,346	425,368
Total Expenses	<u>\$13,768,400</u>	<u>\$12,879,055</u>	<u>\$12,128,952</u>	<u>\$11,301,382</u>

The table demonstrates that 88 percent of all of the District's costs for fiscal year 2008 were provided for through general revenues. Only several of the District's programs receive significant support from program revenues. For instance, the special instruction program paid for 67 percent of its costs through program revenues, those generally being operating grants restricted to special instruction programs. For both fiscal years 2008 and 2007, all of the costs of the non-instructional program were paid for through program revenues consisting of cafeteria sales, state and federal subsidies, and donated commodities for food service operations.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance in the General Fund decreased 11 percent from spending cash carryover resources. Fund balance in the Bond Retirement Fund had a modest increase as tax revenues continue to exceed amounts required for principal and interest payments.

General Fund Budgeting Highlights

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

During fiscal year 2008, the District amended its General Fund budget as needed. For both revenues and expenditures, changes from the original budget to the final budget and from the final budget to actual revenues and expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$10,667,247 invested in capital assets (net of accumulated depreciation). The most significant addition to capital assets in fiscal year 2008 was the construction on the new concession/restroom/storage facility. For further information regarding the District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2008, the District had outstanding general obligation bonds, in the amount of \$4,340,197. The District's long-term obligations also include compensated absences. For further information regarding the District's long-term obligations, refer to Note 15 to the basic financial statements.

Current Issues

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

The District relies primarily on local property taxes and income taxes as well as State foundation funding. Approximately 43 percent of District's revenue sources are from local resources and 49 percent from various state and federal resources. Total expenditures per pupil were approximately \$8,961 for fiscal year 2008.

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Contacting the District's Financial Management

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Net Assets
June 30, 2008**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$6,696,360
Accounts Receivable	17,094
Accrued Interest Receivable	28,557
Intergovernmental Receivable	24,474
Income Taxes Receivable	645,287
Prepaid Items	26,331
Inventory Held for Resale	5,825
Materials and Supplies Inventory	8,726
Property Taxes Receivable	4,191,303
Payment in Lieu of Taxes Receivable	453,651
Nondepreciable Capital Assets	1,178,094
Depreciable Capital Assets, Net	9,489,153
Total Assets	22,764,855
 <u>Liabilities:</u>	
Accounts Payable	55,611
Contracts Payable	149,944
Accrued Wages and Benefits Payable	935,782
Intergovernmental Payable	374,321
Matured Compensated Absences Payable	25,535
Retainage Payable	14,369
Deferred Revenue	3,864,962
Accrued Interest Payable	8,205
Long-Term Liabilities:	
Due Within One Year	596,246
Due in More Than One Year	4,379,633
Total Liabilities	10,404,608
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	8,108,820
Restricted For:	
Capital Projects	707
Debt Service	472,143
Food Service	69,629
Athletics	88,129
Other Purposes	59,329
Unrestricted	3,561,490
Total Net Assets	\$12,360,247

See Accompanying Notes to Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2008**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$6,118,971	\$91,000	\$40,066		(\$5,987,905)
Special	1,199,156	20,051	784,005		(395,100)
Vocational	327,414		44,548		(282,866)
Support Services:					
Pupils	960,816		14,000		(946,816)
Instructional Staff	545,646		3,667		(541,979)
Board of Education	10,330				(10,330)
Administration	885,840				(885,840)
Fiscal	315,733				(315,733)
Business	1,768				(1,768)
Operation and Maintenance of Plant	1,218,121				(1,218,121)
Pupil Transportation	638,376		20,192	\$6,825	(611,359)
Central	151,954				(151,954)
Non-Instructional Services	465,529	331,103	150,717		16,291
Extracurricular Activities	490,400	113,084	20,190		(357,126)
Interest and Fiscal Charges	438,346				(438,346)
Total Governmental Activities	<u>\$13,768,400</u>	<u>\$555,238</u>	<u>\$1,077,385</u>	<u>\$6,825</u>	<u>(12,128,952)</u>
<u>General Revenues:</u>					
Property Taxes Levied for General Purposes					3,863,456
Property Taxes Levied for Debt Service					580,575
Income Taxes Levied for General Purposes					1,380,019
Grants and Entitlements not Restricted to Specific Programs					5,595,718
Interest					312,753
Gifts and Donations					2,918
Miscellaneous					85,612
Total General Revenues					<u>11,821,051</u>
Change in Net Assets					(307,901)
Net Assets at Beginning of Year - Restated (Note 3)					<u>12,668,148</u>
Net Assets at End of Year					<u><u>\$12,360,247</u></u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2008**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$5,506,622	\$373,825	\$815,913	\$6,696,360
Accounts Receivable	12,251		4,843	17,094
Accrued Interest Receivable	28,557			28,557
Intergovernmental Receivable	3,019		21,455	24,474
Income Taxes Receivable	645,287			645,287
Prepaid Items	24,293		2,038	26,331
Inventory Held for Resale			5,825	5,825
Materials and Supplies Inventory	7,217		1,509	8,726
Property Taxes Receivable	3,636,569	554,734		4,191,303
Payment in Lieu of Taxes Receivable	391,455	62,196		453,651
Total Assets	\$10,255,270	\$990,755	\$851,583	\$12,097,608
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$49,051		\$6,560	\$55,611
Contracts Payable	4,855		145,089	149,944
Accrued Wages and Benefits Payable	912,568		23,214	935,782
Intergovernmental Payable	357,132		17,189	374,321
Matured Compensated Absences Payable			25,535	25,535
Retainage Payable			14,369	14,369
Deferred Revenue	3,939,206	585,930	9,833	4,534,969
Total Liabilities	5,262,812	585,930	241,789	6,090,531
<u>Fund Balances:</u>				
Reserved for Property Taxes	197,000	31,000		228,000
Reserved for Encumbrances	526,213		130,610	656,823
Unreserved, Designated for:				
Termination Benefits			125,061	125,061
Unreserved, Undesignated Reported in:				
General Fund	4,269,245			4,269,245
Special Revenue Funds			152,808	152,808
Debt Service Fund		373,825		373,825
Capital Projects Funds			201,315	201,315
Total Fund Balances	4,992,458	404,825	609,794	6,007,077
Total Liabilities and Fund Balances	\$10,255,270	\$990,755	\$851,583	\$12,097,608

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, 2008**

Total Governmental Fund Balances	\$6,007,077
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,667,247
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	\$14,310	
Accrued Interest Receivable	19,313	
Intergovernmental Receivable	4,990	
Income Taxes Receivable	79,402	
Property Taxes Receivable	98,341	
Payment in Lieu of Taxes Receivable	453,651	670,007

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

Accrued Interest Payable	(8,205)	
General Obligation Bonds Payable	(4,340,197)	
Compensated Absences Payable	(635,682)	(4,984,084)

Net Assets of Governmental Activities	\$12,360,247
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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 Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$3,801,177	\$570,783		\$4,371,960
Income Taxes	1,406,164			1,406,164
Payment in Lieu of Taxes	4,942	786		5,728
Intergovernmental	5,978,555	111,102	\$561,208	6,650,865
Interest	306,480		7,680	314,160
Tuition and Fees	129,781			129,781
Extracurricular Activities			113,084	113,084
Charges for Services			331,103	331,103
Gifts and Donations	205		24,308	24,513
Miscellaneous	58,345		31,886	90,231
Total Revenues	<u>11,685,649</u>	<u>682,671</u>	<u>1,069,269</u>	<u>13,437,589</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,770,447		59,242	5,829,689
Special	1,085,201		92,636	1,177,837
Vocational	307,585			307,585
Support Services:				
Pupils	671,037		262,486	933,523
Instructional Staff	499,032		45,563	544,595
Board of Education	10,330			10,330
Administration	824,228		56,655	880,883
Fiscal	298,625	12,686		311,311
Business	1,768			1,768
Operation and Maintenance of Plant	1,199,137		14,093	1,213,230
Pupil Transportation	725,044		3,107	728,151
Central	132,364		5,000	137,364
Non-Instructional Services			452,801	452,801
Extracurricular Activities	291,757		113,239	404,996
Capital Outlay	80,237		449,501	529,738
Debt Service:				
Principal Retirement		520,000		520,000
Interest and Fiscal Charges		114,845		114,845
Total Expenditures	<u>11,896,792</u>	<u>647,531</u>	<u>1,554,323</u>	<u>14,098,646</u>
Excess of Revenues Over (Under) Expenditures	<u>(211,143)</u>	<u>35,140</u>	<u>(485,054)</u>	<u>(661,057)</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	2,000			2,000
Transfers In			423,784	423,784
Transfers Out	(423,784)			(423,784)
Total Other Financing Sources (Uses)	<u>(421,784)</u>		<u>423,784</u>	<u>2,000</u>
Changes in Fund Balances	(632,927)	35,140	(61,270)	(659,057)
Fund Balances at Beginning of Year	<u>5,625,385</u>	<u>369,685</u>	<u>671,064</u>	<u>6,666,134</u>
Fund Balances at End of Year	<u>\$4,992,458</u>	<u>\$404,825</u>	<u>\$609,794</u>	<u>\$6,007,077</u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2008**

Changes in Fund Balances - Total Governmental Funds (\$659,057)

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

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

Capital Outlay - Nondepreciable Capital Assets	\$270,611	
Capital Outlay - Depreciable Capital Assets	413,374	
Depreciation	<u>(534,333)</u>	149,652

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

Proceeds from the Sale of Capital Assets	(2,000)	
Loss on Disposal of Capital Assets	<u>(5,184)</u>	(7,184)

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

Property Taxes	72,071	
Income Taxes	(26,145)	
Payment in Lieu of Taxes	(5,728)	
Intergovernmental	3,667	
Interest	2,394	
Tuition and Fees	(18,730)	
Miscellaneous	<u>(4,619)</u>	22,910

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

520,000

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

Accrued Interest Payable	1,839	
Annual Accretion on Capital Appreciation Bonds	<u>(325,340)</u>	(323,501)

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

(10,721)

Change in Net Assets of Governmental Activities (\$307,901)

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, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$3,633,339	\$3,685,072	\$3,716,177	\$31,105
Income Taxes	1,265,274	1,299,315	1,349,321	50,006
Payment in Lieu of Taxes			4,942	4,942
Intergovernmental	5,867,871	5,875,384	5,978,555	103,171
Interest	218,500	280,000	336,842	56,842
Tuition and Fees	68,700	102,748	141,318	38,570
Gifts and Donations		155	205	50
Miscellaneous	36,143	195,794	45,200	(150,594)
Total Revenues	11,089,827	11,438,468	11,572,560	134,092
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,028,957	5,852,543	5,751,331	101,212
Special	1,094,649	1,151,176	1,076,445	74,731
Vocational	406,050	320,600	292,518	28,082
Adult/Continuing	216	216		216
Support Services:				
Pupils	690,767	718,967	672,405	46,562
Instructional Staff	531,425	534,125	498,547	35,578
Board of Education	12,088	11,943	10,448	1,495
Administration	845,711	842,045	841,415	630
Fiscal	310,347	325,522	319,908	5,614
Business	1,800	1,800	1,712	88
Operation and Maintenance of Plant	1,200,151	1,286,120	1,267,793	18,327
Pupil Transportation	687,858	748,788	751,589	(2,801)
Central	132,764	135,265	133,045	2,220
Extracurricular Activities	262,971	294,972	294,364	608
Capital Outlay	78,059	425,967	409,988	15,979
Total Expenditures	12,283,813	12,650,049	12,321,508	328,541
Excess of Revenues Under Expenditures	(1,193,986)	(1,211,581)	(748,948)	462,633
<u>Other Financing Sources (Uses):</u>				
Other Financing Sources		738	738	
Sale of Capital Assets		2,000	2,000	
Refund of Prior Year Expenditures	6,500	7,804	12,161	4,357
Advances Out		(11)		11
Transfers Out	(370,882)	(423,784)	(423,784)	
Total Other Financing Sources (Uses)	(364,382)	(413,253)	(408,885)	4,368
Changes in Fund Balance	(1,558,368)	(1,624,834)	(1,157,833)	467,001
Fund Balance at Beginning of Year	5,874,521	5,874,521	5,874,521	
Prior Year Encumbrances Appropriated	243,833	243,833	243,833	
Fund Balance at End of Year	\$4,559,986	\$4,493,520	\$4,960,521	\$467,001

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008**

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$71,310</u></u>
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Liabilities:

Undistributed Assets	1,451
Due to Students	<u>69,859</u>
Total Liabilities	<u><u>\$71,310</u></u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The District was established in 1954. It is located in Hancock County and includes all of the Village of Benton Ridge, and part of Blanchard, Eagle, and Liberty Townships. The District is the 414th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-one classified employees, ninety-nine certified teaching personnel, and six administrative employees who provide services to 1,349 students and other community members. The District currently operates two instructional buildings.

Reporting Entity

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

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

The District participates in five jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Cooperative Vocational Career Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., Bay Area Council of Governments, Hancock County Schools Insurance Consortium Group Health Plan, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District did not have any trust funds in fiscal year 2008. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various faculty-related and student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 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. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the District prior to fiscal year end.

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

F. Cash and Investments

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

During fiscal year 2008, investments consisted of repurchase agreements, mutual funds, federal agency securities, and STAR Ohio. Repurchase agreements are reported at cost. Investments are reported at fair value, which is based on current share price or quoted market price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

The District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2008 was \$306,480, which includes \$31,732 assigned from other District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Capital Assets

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

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

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

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 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 absences liability is reported on the government-wide financial statements.

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Net Assets

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

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2008, there were no net assets restricted by enabling legislation.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

M. Fund Balance Reserves and Designations

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

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

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

N. Interfund Transactions

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

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

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

O. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ERROR, AND RESTATEMENT OF NET ASSETS

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ERROR, AND RESTATEMENT OF NET ASSETS – (CONTINUED)

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this statement for both the State Teachers Retirement System and the School Employees Retirement System postemployment healthcare plans, in the amount of \$35,553 and \$10,222, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

B. Correction of an Error and Restatement of Net Assets

In the prior fiscal year, the District incorrectly recorded payment in lieu of taxes receivable.

	Governmental Activities
Net Assets at June 30, 2007	\$12,209,663
Payment in Lieu of Taxes Receivable	458,485
Restated Net Assets at June 30, 2007	\$12,668,148

NOTE 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 for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING – (CONTINUED)

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

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

Changes in Fund Balance	
GAAP Basis	(\$632,927)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2007, Received in Cash FY 2008	670,141
Accrued FY 2008, Not Yet Received in Cash	(777,932)
Expenditure Accruals:	
Accrued FY 2007, Paid in Cash FY 2008	(1,185,400)
Accrued FY 2008, Not Yet Paid in Cash	1,323,606
Cash Adjustments:	
Unrecorded Activity FY 2007	(7,615)
Unrecorded Activity FY 2008	15,216
Prepaid Items	(253)
Materials and Supplies Inventory	(1,352)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(561,317)
Budget Basis	(\$1,157,833)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,212,035 of the District's bank balance of \$1,902,029 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

Investments

As of June 30, 2008, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreement	\$489,636	7/1/08
Mutual Fund	16,308	average 47 days
Mutual Fund	437,522	average 55 days
Federal Home Loan Mortgage Corporation Notes	298,707	8/12/10
Federal Home Loan Mortgage Corporation Notes	298,134	2/4/11
Federal Home Loan Mortgage Corporation Notes	352,391	11/14/11
Federal Home Loan Bank Notes	398,752	11/12/09
Federal Home Loan Bank Notes	351,533	9/10/10
Federal Home Loan Bank Notes	398,376	11/19/10
Federal Home Loan Bank Notes	412,876	10/01/12
Federal Farm Credit Bank Bonds	422,875	4/11/11
STAR Ohio	1,134,246	average 53.80 days
Total Investments	<u>\$5,011,356</u>	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the District.

The securities underlying the repurchase agreement (Federal Home Loan Mortgage Corporation Bonds) carry a rating of AAA by Moodys. The mutual funds and the federal agency securities carry a rating of AAA by Moodys or Standards and Poor's. STAR Ohio carries a rating of AAA by Standards and Poor's. The District has no investment policy dealing with credit risk beyond the requirements of State statute. Repurchase agreements are limited to investments listed in items 1 and 2 on page 26. Ohio law requires that mutual funds in eligible securities must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)

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

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Repurchase Agreement	\$489,636	9.8%
Federal Home Loan Mortgage Corporation	949,232	18.9
Federal Home Loan Bank	1,561,537	31.2
Federal Farm Credit Bank	422,875	8.4

NOTE 6 - RECEIVABLES

Receivables at June 30, 2008, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and payment in lieu of taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Payment in lieu of taxes, in the amount of \$438,273, will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
Various School Districts	\$1,000
Ohio Department of Taxation	1,761
Bureau of Workers' Compensation	258
Total General Fund	<u>3,019</u>
Other Governmental Funds	
Title I	16,416
Title II-A	4,990
Title V	49
Total Other Governmental Funds	<u>21,455</u>
Total Governmental Activities	<u><u>\$24,474</u></u>

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 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 for an eight year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 8 - 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 property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

The District receives property taxes from Hancock County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2008, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 8 - PROPERTY TAXES – (CONTINUED)

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2008, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$197,000 in the General Fund and \$31,000 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2007, was \$112,000 in the General Fund and \$18,000 in the Bond Retirement debt service fund.

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

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$107,348,460	68.31%	\$113,400,250	70.80%
Industrial/Commercial	27,091,350	17.24	28,287,720	17.66
Public Utility	7,040,960	4.48	6,752,770	4.22
Tangible Personal	15,676,362	9.97	11,725,555	7.32
Total Assessed Value	<u>\$157,157,132</u>	<u>100.00%</u>	<u>\$160,166,295</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.07		\$38.95	

NOTE 9 - PAYMENT IN LIEU OF TAXES

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$930,570			\$930,570
Construction in Progress	474,897	\$270,611	(\$497,984)	247,524
Total Nondepreciable Capital Assets	<u>1,405,467</u>	<u>270,611</u>	<u>(497,984)</u>	<u>1,178,094</u>
Depreciable Capital Assets				
Land Improvements	891,363	4,205		895,568
Buildings and Building Improvements	13,742,412	580,322		14,322,734
Furniture, Fixtures, and Equipment	1,184,913	168,432	(29,679)	1,323,666
Vehicles	955,127	158,399	(58,744)	1,054,782
Total Depreciable Capital Assets	<u>16,773,815</u>	<u>911,358</u>	<u>(88,423)</u>	<u>17,596,750</u>
Less Accumulated Depreciation				
Land Improvements	(202,412)	(44,758)		(247,170)
Buildings and Building Improvements	(6,281,031)	(338,162)		(6,619,193)
Furniture, Fixtures, and Equipment	(618,490)	(85,465)	22,495	(681,460)
Vehicles	(552,570)	(65,948)	58,744	(559,774)
Total Accumulated Depreciation	<u>(7,654,503)</u>	<u>(534,333)</u>	<u>81,239</u>	<u>(8,107,597)</u>
Depreciable Capital Assets, Net	<u>9,119,312</u>	<u>377,025</u>	<u>(7,184)</u>	<u>9,489,153</u>
Governmental Activities Capital Assets, Net	<u>\$10,524,779</u>	<u>\$647,636</u>	<u>(\$505,168)</u>	<u>\$10,667,247</u>

LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

NOTE 10 - CAPITAL ASSETS – (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$184,447
Special	19,542
Vocational	17,205
Support Services:	
Pupils	17,723
Instructional Staff	31,057
Administration	17,223
Fiscal	3,161
Operation and Maintenance of Plant	56,297
Pupil Transportation	72,143
Central	14,590
Non-Instructional Services	10,926
Extracurricular Activities	90,019
Total Depreciation Expense	<u>\$534,333</u>

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 11 - 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 2008, the District contracted for the following insurance coverage:

Coverage provided by The Netherlands Insurance Company is as follows:

Building and Contents	\$28,168,081
General School District Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Stop Gap Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000

Coverage provided by Consolidated Insurance Company is as follows:

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

Coverage provided by The Midwestern Indemnity Company is as follows:

Umbrella Liability	2,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

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

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, was \$647,400, \$628,848, and \$628,017 respectively; 80 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DCP and CP for fiscal year 2008 were \$15,071 made by the District and \$25,927 made by the plan members.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

B. School Employees Retirement System

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 was \$135,572, \$137,697, and \$150,895 respectively; 43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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, 2008, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$50,959, \$48,998, and \$48,308 respectively; 80 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2008, this amount was \$93,902.

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

The District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$61,866, \$45,715, and \$52,659 respectively; 43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2008, this actuarially required allocation was .66 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, was \$9,768, \$9,363, and \$12,010 respectively; 43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for all classified employees and 225 days for certified employees. Upon retirement, payment is made for one-fourth of their accrued but unused sick leave for all employees.

B. Health Care Benefits

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

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2008 were as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08	Amounts Due Within One Year
General Obligation Bonds					
1998 School Improvement Refunding					
Serial Bonds 3.75 - 4.5%	\$1,065,000		\$520,000	\$545,000	\$545,000
Term Bonds 5%	1,575,000			1,575,000	
Capital Appreciation Bonds	438,427			438,427	
Accretion on Capital Appreciation Bonds	1,456,430	\$325,340		1,781,770	
Total General Obligation Bonds	4,534,857	325,340	520,000	4,340,197	545,000
Compensated Absences Payable	624,961	22,459	11,738	635,682	51,246
Total Governmental Activities Long-Term Liabilities	\$5,159,818	\$347,799	\$531,738	\$4,975,879	\$596,246

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS – (CONTINUED)

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 included serial, term, and capital appreciation bonds, in the amount of \$5,290,000, \$1,575,000, and \$438,427, respectively. The bonds were issued for a twenty-two year period, with final maturity during fiscal year 2020.

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

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

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

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2009 through 2016. The maturity amount of the bonds is \$4,560,000. For fiscal year 2008, \$325,340 was accreted on the capital appreciation bonds for a total outstanding bond value of \$2,220,197 at fiscal year end.

At June 30, 2008, \$1,335,400 of the refunded 1994 school improvement general obligation bonds was still outstanding.

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

The District's overall debt margin was \$10,601,134 with an unvoted debt margin of \$141,719 at June 30, 2008.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS – (CONTINUED)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2008, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital	Interest	Total
2009	\$545,000			\$91,013	\$636,013
2010			\$89,832	558,918	648,750
2011			76,591	572,159	648,750
2012			65,299	583,451	648,750
2013			55,678	593,072	648,750
2014-2018		\$520,000	151,027	2,509,723	3,180,750
2019-2020		1,055,000		51,875	1,106,875
	<u>\$545,000</u>	<u>\$1,575,000</u>	<u>\$438,427</u>	<u>\$4,960,211</u>	<u>\$7,518,638</u>

NOTE 16 - SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2008.

	Textbooks	Capital Improvements
Balance June 30, 2007	(\$1,099,992)	
Current Year Set Aside Requirement	200,898	\$200,898
Current Year Offsets		(360,569)
Qualifying Expenditures	(394,091)	(362,263)
Reserve Balance June 30, 2008	<u>(\$1,293,185)</u>	<u>(\$521,934)</u>
Amount Carried Forward to Fiscal Year 2009	<u>(\$1,293,185)</u>	

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 17 - INTERFUND TRANSFERS

During fiscal year 2008, the General Fund made transfers to other governmental funds, in the amount of \$423,784, to subsidize permanent improvements, severance payments, and operations of other governmental funds.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2008, the District paid \$39,846 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Cooperative Vocational Career Center

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

C. Hancock County Local Professional Development Committee

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)

D. Northwestern Ohio Educational Research Council, Inc.

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

E. Bay Area Council of Governments

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

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

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

NOTE 19 - INSURANCE POOLS

A. Hancock County Schools Insurance Consortium Group Health Plan

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 19 - INSURANCE POOLS – (CONTINUED)

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

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

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

NOTE 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, 2008.

B. Litigation

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Food Donation	10.550		\$43,773		\$43,773
<u>Child Nutrition Cluster</u>					
School Breakfast Program	10.553	\$5,358		\$5,358	
National School Lunch Program	10.555	102,526		102,526	
Total Child Nutrition Cluster		<u>107,884</u>		<u>107,884</u>	
Total U.S. Department of Agriculture		<u>107,884</u>	<u>43,773</u>	<u>107,884</u>	<u>43,773</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	112,612		112,612	
Safe and Drug-Free Schools and Communities - State Grants	84.186	3,667		3,667	
State Grants for Innovative Programs	84.298	2,666		2,666	
Education Technology State Grants	84.318	1,151		1,151	
Improving Teacher Quality State Grants	84.367	28,021		28,021	
<u>Special Education Cluster</u>					
Special Education-Grants to States	84.027	238,598		238,598	
Special Education-Preschool Grants	84.173	5,617		5,617	
Total Special Education Cluster		<u>244,215</u>		<u>244,215</u>	
Total U.S. Department of Education		<u>392,332</u>		<u>392,332</u>	
Total Federal Awards Receipts and Expenditures		<u>\$500,216</u>	<u>\$43,773</u>	<u>\$500,216</u>	<u>\$43,773</u>

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

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Benton Local School District, Hancock County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

Mary Taylor, CPA
Auditor of State

February 18, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Liberty Benton Local School District, Hancock County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Liberty Benton Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

February 18, 2009

LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster CFDA # 10.553 and 10.555 Special Education Cluster CFDA #84.027 and 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 12, 2009