



Dave Yost • Auditor of State

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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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, 2012, 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, 2012, 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 6, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

February 6, 2013

**Liberty Benton Local School District
Hancock County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited**

The discussion and analysis of Liberty Benton Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2012 were as follows:

Net assets increased \$906,605, or 8 percent. There was an increase in both revenues and expenses from the prior year; however, revenues were in excess of expenses for the current fiscal year providing the increase in net assets.

General revenues were \$12,512,195, or 83 percent of total revenues, and demonstrate the School District's significant dependence on property and income taxes as well as State funding.

Using the Basic Financial Statements

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

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

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

**Liberty Benton Local School District
Hancock County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited**

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 and fiscal year 2011:

Table 1
Net Assets

	Governmental Activities		
	2012	2011	Change
<u>Assets</u>			
Current and Other Assets	\$12,634,981	\$11,904,480	\$730,501
Capital Assets, Net	9,558,756	9,851,232	(292,476)
Total Assets	<u>22,193,737</u>	<u>21,755,712</u>	<u>438,025</u>
<u>Liabilities</u>			
Current and Other Liabilities	5,393,807	5,685,786	291,979
Long-Term Liabilities	4,501,401	4,678,002	176,601
Total Liabilities	<u>9,895,208</u>	<u>10,363,788</u>	<u>468,580</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	7,777,051	8,004,228	(227,177)
Restricted	715,270	1,111,584	(396,314)
Unrestricted	3,806,208	2,276,112	1,530,096
Total Net Assets	<u><u>\$12,298,529</u></u>	<u><u>\$11,391,924</u></u>	<u><u>\$906,605</u></u>

The above table reflects several significant changes from the prior fiscal year. The increase in current and other assets was generally due to an increase in cash and cash equivalents; an increase in open enrollment revenue as well as increases in both property and income taxes led to this increase. However, this was partially offset by a decrease in intergovernmental receivables due to the expiration of

**Liberty Benton Local School District
Hancock County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited**

the Education Jobs grant. The decrease in current and other liabilities was due to a decrease in deferred revenue (correlates to the decrease in intergovernmental receivable for the Education Jobs grant). These changes are reflected in both the decrease in restricted net assets and the increase unrestricted net assets.

Table 2 reflects the change in net assets for fiscal year 2012 and fiscal year 2011:

Table 2
Change in Net Assets

	Governmental Activities		
	2012	2011	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$1,572,568	\$1,264,272	\$308,296
Operating Grants, Contributions, and Interest	977,653	1,256,813	(279,160)
Capital Grants and Contributions	4,000		4,000
Total Program Revenues	<u>2,554,221</u>	<u>2,521,085</u>	<u>33,136</u>
General Revenues			
Property Taxes	5,104,541	4,581,350	523,191
Income Taxes	1,657,736	1,277,121	380,615
Payment in Lieu of Taxes	16,799	13,148	3,651
Grants and Entitlements	5,499,785	5,915,800	(416,015)
Interest	6,516	8,110	(1,594)
Gifts and Donations	4,030	3,398	632
Miscellaneous	222,788	83,749	139,039
Total General Revenues	<u>12,512,195</u>	<u>11,882,676</u>	<u>629,519</u>
Total Revenues	<u>15,066,416</u>	<u>14,403,761</u>	<u>662,655</u>
<u>Expenses</u>			
Instruction:			
Regular	6,267,360	6,069,489	(197,871)
Special	1,181,815	1,254,805	72,990
Vocational	324,971	382,605	57,634
Support Services:			
Pupils	1,046,227	1,071,774	25,547
Instructional Staff	692,466	451,557	(240,909)
Board of Education	25,589	8,334	(17,255)
Administration	996,809	881,236	(115,573)
Fiscal	335,516	321,412	(14,104)
Business	1,480	1,931	451
Operation and Maintenance of Plant	1,134,898	1,133,327	(1,571)
Pupil Transportation	584,371	565,218	(19,153)
Central	136,814	122,830	(13,984)
Non-Instructional Services	511,906	507,292	(4,614)
Extracurricular Activities	529,901	517,780	(12,121)
Interest and Fiscal Charges	<u>389,688</u>	<u>425,031</u>	<u>35,343</u>

**Liberty Benton Local School District
Hancock County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited**

Total Expenses	14,159,811	13,714,621	(445,190)
Increase in Net Assets	906,605	689,140	217,465
Net Assets at Beginning of Year	11,391,924	10,702,784	689,140
Net Assets at End of Year	<u>\$12,298,529</u>	<u>\$11,391,924</u>	<u>\$906,605</u>

As seen in the above table, there was not a significant change in total program revenues from the prior fiscal year; however, there was an increase in open enrollment tuition (charges for services) that was offset by a decrease in operating grants due to the expiration of the Education Jobs grant. For general revenues, both property taxes and income taxes increased, in part, due to economic improvements. There was a decrease in unrestricted grants and entitlements due to the expiration of the State Fiscal Stabilization resources.

The overall change in expenses was not significant, 3 percent. This increase was primarily due to two factors. Instructional staff increased nearly \$241,000 as a result of purchasing technology equipment. Administration had an increase of over \$115,000 primarily related to legal fees. As is to be expected, the instruction programs are the School District's largest expense, accounting for 55 percent of all governmental activities expenses. Combined with the support services related to instruction, such as pupils, instructional staff, operation and maintenance of plant, and pupil transportation, 79 percent of all of the School District's expenses are directly related to delivering education and maintaining facilities.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction:				
Regular	\$6,267,360	\$6,069,489	\$5,166,250	\$4,929,582
Special	1,181,815	1,254,805	427,641	582,793
Vocational	324,971	382,605	280,258	337,892
Support Services:				
Pupils	1,046,227	1,071,774	1,040,827	1,059,949
Instructional Staff	692,466	451,557	692,466	451,557
Board of Education	25,589	8,334	25,589	8,334
Administration	996,809	881,236	996,809	881,236
Fiscal	335,516	321,412	335,516	321,412
Business	1,480	1,931	1,480	1,931
Operation and Maintenance of Plant	1,134,898	1,133,327	1,134,898	1,133,327
Pupil Transportation	584,371	565,218	567,578	548,425
Central	136,814	122,830	136,814	122,830
Non-Instructional Services	511,906	507,292	14,657	(17,317)

**Liberty Benton Local School District
Hancock County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited**

Extracurricular Activities	529,901	517,780	395,119	406,554
Interest and Fiscal Charges	389,688	425,031	389,688	425,031
Total Expenses	<u>\$14,159,811</u>	<u>\$13,714,621</u>	<u>\$11,605,590</u>	<u>\$11,193,536</u>

The table demonstrates that 82 percent of all of the School District's costs for fiscal year 2012 were provided for through general revenues (no change from fiscal year 2011). Only several of the School District's programs receive significant support from program revenues. For instance, the special instruction program paid for 64 percent of its costs through program revenues, those generally being operating grants restricted to special instruction programs. The non-instructional program provided for 97 percent of its costs through program revenues consisting of cafeteria sales, state and federal subsidies, and donated commodities for food service operations.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance in the General Fund increased almost 25 percent due to revenue increases mentioned previously, increases in property and income taxes as well as an increase in open enrollment tuition.

The fund balance in the Bond Retirement Fund increased by 12 percent due to property tax and related receipts greater than debt retirement requirements in fiscal year 2012.

General Fund Budgeting Highlights

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

During fiscal year 2012, the School District amended its General Fund budget as needed. For revenues, the change from the original budget to the final budget as well as from the final budget to actual revenues was not significant. The same can be said for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$9,558,756 invested in capital assets (net of accumulated depreciation). The School District had over \$300,000 in additions for a roof replacement at the middle school, to upgrade technology equipment in the classrooms, and for new athletic and maintenance equipment. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2012, the School District had outstanding general obligation bonds, in the amount of \$3,595,238. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

**Liberty Benton Local School District
Hancock County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited**

Current Issues

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

Contacting the School District's Financial Management

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

Liberty Benton Local School District
Hancock County
Statement of Net Assets
June 30, 2012

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$6,920,817
Accounts Receivable	25,033
Accrued Interest Receivable	1,405
Intergovernmental Receivable	90,911
Income Taxes Receivable	843,954
Inventory Held for Resale	3,768
Materials and Supplies Inventory	11,240
Property Taxes Receivable	4,693,678
Payment in Lieu of Taxes Receivable	11,424
Unamortized Issuance Costs	32,751
Nondepreciable Capital Assets	930,570
Depreciable Capital Assets, Net	8,628,186
Total Assets	22,193,737
 <u>Liabilities:</u>	
Accounts Payable	167,070
Accrued Wages and Benefits Payable	919,724
Intergovernmental Payable	355,501
Deferred Revenue	3,946,753
Accrued Interest Payable	4,759
Long-Term Liabilities:	
Due Within One Year	117,108
Due in More Than One Year	4,384,293
Total Liabilities	9,895,208
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	7,777,051
Restricted For:	
Capital Projects	707
Debt Service	517,393
Food Service	107,471
Other Purposes	89,699
Unrestricted	3,806,208
Total Net Assets	\$12,298,529

See Accompanying Notes to Basic Financial Statements

Liberty Benton Local School District
Hancock County
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$6,267,360	\$1,028,039	\$73,071	
Special	1,181,815	138,613	615,561	
Vocational	324,971		44,713	
Support Services:				
Pupils	1,046,227		5,400	
Instructional Staff	692,466			
Board of Education	25,589			
Administration	996,809			
Fiscal	335,516			
Business	1,480			
Operation and Maintenance of Plant	1,134,898			
Pupil Transportation	584,371		16,793	
Central	136,814			
Non-Instructional Services	511,906	292,881	204,368	
Extracurricular Activities	529,901	113,035	17,747	\$4,000
Interest and Fiscal Charges	389,688			
Total Governmental Activities	<u>\$14,159,811</u>	<u>\$1,572,568</u>	<u>\$977,653</u>	<u>\$4,000</u>

General Revenues:

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

Change in Net Assets

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

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in
Net Assets

Governmental
Activities

(\$5,166,250)
(427,641)
(280,258)

(1,040,827)
(692,466)
(25,589)
(996,809)
(335,516)
(1,480)
(1,134,898)
(567,578)
(136,814)
(14,657)
(395,119)
(389,688)

(11,605,590)

4,528,340
576,201
1,657,736
16,799
5,499,785
6,516
4,030
222,788

12,512,195

906,605

11,391,924

\$12,298,529

Liberty Benton Local School District
Hancock County
Balance Sheet
Governmental Funds
June 30, 2012

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$5,788,293	\$435,697	\$696,827	\$6,920,817
Accounts Receivable	22,837		2,196	25,033
Accrued Interest Receivable	1,405			1,405
Intergovernmental Receivable	1,643		89,268	90,911
Interfund Receivable	1,548			1,548
Income Taxes Receivable	843,954			843,954
Inventory Held for Resale			3,768	3,768
Materials and Supplies Inventory	9,775		1,465	11,240
Property Taxes Receivable	4,165,312	528,366		4,693,678
Payment in Lieu of Taxes Receivable	10,131	1,293		11,424
Total Assets	<u>\$10,844,898</u>	<u>\$965,356</u>	<u>\$793,524</u>	<u>\$12,603,778</u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$142,262		\$24,808	\$167,070
Accrued Wages and Benefits Payable	846,209		73,515	919,724
Intergovernmental Payable	338,415		17,086	355,501
Interfund Payable			1,548	1,548
Deferred Revenue	3,636,942	\$446,057	41,669	4,124,668
Total Liabilities	<u>4,963,828</u>	<u>446,057</u>	<u>158,626</u>	<u>5,568,511</u>
<u>Fund Balances:</u>				
Nonspendable	9,775		1,465	11,240
Restricted		519,299	155,122	674,421
Committed	179,156		60,900	240,056
Assigned	241,740		417,790	659,530
Unassigned (Deficit)	5,450,399		(379)	5,450,020
Total Fund Balances	<u>5,881,070</u>	<u>519,299</u>	<u>634,898</u>	<u>7,035,267</u>
Total Liabilities and Fund Balances	<u>\$10,844,898</u>	<u>\$965,356</u>	<u>\$793,524</u>	<u>\$12,603,778</u>

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, 2012

Total Governmental Fund Balances	\$7,035,267
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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.	9,558,756
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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	22,168	
Accrued Interest Receivable	413	
Intergovernmental Receivable	41,572	
Income Taxes Receivable	88,788	
Property Taxes Receivable	24,974	
		177,915

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.	32,751
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(4,759)	
General Obligation Bonds Payable	(3,595,238)	
Compensated Absences Payable	(906,163)	
		(4,506,160)

Net Assets of Governmental Activities	\$12,298,529
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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, 2012

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$4,537,958	\$577,493		\$5,115,451
Income Taxes	1,665,811			1,665,811
Payment in Lieu of Taxes	14,904	1,895		16,799
Intergovernmental	5,718,697	119,484	\$990,505	6,828,686
Interest	6,103		486	6,589
Tuition and Fees	1,161,690			1,161,690
Extracurricular Activities			113,035	113,035
Charges for Services			292,784	292,784
Gifts and Donations	4,030		26,720	30,750
Miscellaneous	85,973		138,582	224,555
Total Revenues	<u>13,195,166</u>	<u>698,872</u>	<u>1,562,112</u>	<u>15,456,150</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,578,876		369,134	5,948,010
Special	1,034,855		100,079	1,134,934
Vocational	307,482			307,482
Support Services:				
Pupils	716,257		313,178	1,029,435
Instructional Staff	454,506		317,151	771,657
Board of Education	25,589			25,589
Administration	973,615			973,615
Fiscal	313,381	12,355		325,736
Business	1,480			1,480
Operation and Maintenance of Plant	1,049,649		28,101	1,077,750
Pupil Transportation	530,302		26,514	556,816
Central	122,224			122,224
Non-Instructional Services	529		494,401	494,930
Extracurricular Activities	299,286		141,338	440,624
Capital Outlay	61,644		141,469	203,113
Debt Service:				
Principal Retirement		65,299		65,299
Interest and Fiscal Charges		59,893		59,893
Interest on Capital Appreciation Bonds		504,701		504,701
Total Expenditures	<u>11,469,675</u>	<u>642,248</u>	<u>1,931,365</u>	<u>14,043,288</u>
Excess of Revenues Over (Under) Expenditures	<u>1,725,491</u>	<u>56,624</u>	<u>(369,253)</u>	<u>1,412,862</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	3,352			3,352
Transfers In			569,432	569,432
Transfers Out	(569,432)			(569,432)
Total Other Financing Sources (Uses)	<u>(566,080)</u>		<u>569,432</u>	<u>3,352</u>
Changes in Fund Balances	1,159,411	56,624	200,179	1,416,214
Fund Balances at Beginning of Year	<u>4,721,659</u>	<u>462,675</u>	<u>434,719</u>	<u>5,619,053</u>
Fund Balances at End of Year	<u>\$5,881,070</u>	<u>\$519,299</u>	<u>\$634,898</u>	<u>\$7,035,267</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 the Statement of Activities
For the Fiscal Year Ended June 30, 2012

Changes in Fund Balances - Total Governmental Funds \$1,416,214

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

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

Capital Outlay - Depreciable Capital Assets	289,564	
Capital Contributions	4,000	
Depreciation	<u>(580,818)</u>	(287,254)

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

Proceeds from Sale of Capital Assets	(3,352)	
Loss on Disposal of Capital Assets	<u>(1,870)</u>	(5,222)

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

Property Taxes	(10,910)	
Income Taxes	(8,075)	
Intergovernmental	(378,454)	
Interest	413	
Tuition and Fees	4,962	
Charges for Services	97	
Miscellaneous	<u>(1,767)</u>	(393,734)

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

65,299

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

Annual Accretion on Capital Appreciation Bonds	(329,795)	
Payment of Accretion of Capital Appreciation Bonds	<u>504,701</u>	174,906

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.

(63,604)

Change in Net Assets of Governmental Activities \$906,605

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$4,219,101	\$4,198,002	\$4,182,958	(\$15,044)
Income Taxes	1,288,646	1,288,646	1,384,129	95,483
Payment in Lieu of Taxes	9,100	9,100	10,131	1,031
Intergovernmental	5,713,661	5,540,929	5,718,697	177,768
Interest	40,500	40,500	5,379	(35,121)
Tuition and Fees	843,339	843,339	1,161,824	318,485
Gifts and Donations	1,225	1,225	4,030	2,805
Miscellaneous	68,357	80,357	68,429	(11,928)
Total Revenues	<u>12,183,929</u>	<u>12,002,098</u>	<u>12,535,577</u>	<u>533,479</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,095,508	5,870,512	5,656,098	214,414
Special	1,064,389	1,064,390	1,047,866	16,524
Vocational	444,484	444,484	359,502	84,982
Adult/Continuing	216	216		216
Support Services:				
Pupils	801,563	801,565	725,572	75,993
Instructional Staff	442,121	442,122	464,671	(22,549)
Board of Education	9,551	9,551	39,450	(29,899)
Administration	941,210	941,210	944,497	(3,287)
Fiscal	335,590	335,589	330,019	5,570
Business	1,900	1,900	1,908	(8)
Operation and Maintenance of Plant	1,100,033	1,100,032	1,056,928	43,104
Pupil Transportation	524,972	524,971	695,361	(170,390)
Central	117,082	117,082	127,041	(9,959)
Non-Instructional Services			529	(529)
Extracurricular Activities	305,106	305,106	300,826	4,280
Capital Outlay	37,742	69,542	61,644	7,898
Total Expenditures	<u>12,221,467</u>	<u>12,028,272</u>	<u>11,811,912</u>	<u>216,360</u>
Excess of Revenues Over (Under) Expenditures	<u>(37,538)</u>	<u>(26,174)</u>	<u>723,665</u>	<u>749,839</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets			3,352	3,352
Refund of Prior Year Expenditures	9,750	9,750	15,181	5,431
Transfers Out	(73,400)	(558,400)	(569,432)	(11,032)
Total Other Financing Sources (Uses)	<u>(63,650)</u>	<u>(548,650)</u>	<u>(550,899)</u>	<u>(2,249)</u>
Changes in Fund Balance	(101,188)	(574,824)	172,766	747,590
Fund Balance at Beginning of Year	5,018,162	5,018,162	5,018,162	
Prior Year Encumbrances Appropriated	225,474	225,474	225,474	
Fund Balance at End of Year	<u>\$5,142,448</u>	<u>\$4,668,812</u>	<u>\$5,416,402</u>	<u>\$747,590</u>

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District
Hancock County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,742	\$72,647
<u>Liabilities:</u>		
Undistributed Assets		\$1,838
Due to Students		70,809
Total Liabilities		\$72,647
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$1,742	

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District
Hancock County
Statement of Change in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2012

Additions:

Gifts and Donations	\$940
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Deductions:

Non-Instructional Services	<u>1,200</u>
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Change in Net Assets	(260)
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Net Assets at Beginning of Year	<u>2,002</u>
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Net Assets at End of Year	<u><u>\$1,742</u></u>
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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, 2012**

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1954. It is located in Hancock County and includes all of the Village of Benton Ridge, and part of Blanchard, Eagle, and Liberty Townships. The School District is the 408th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by sixty-two classified employees, ninety-one certified teaching personnel, and seven administrative employees who provide services to one thousand two hundred sixty-seven students and other community members. The School District currently operates two instructional buildings.

Reporting Entity

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

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

The School District participates in five jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Career and Technology Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., Bay Area Council of Governments, Hancock County Schools Health Benefit Fund, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 20 and 21 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes and other revenues restricted for the payment of principal, interest, and related costs on general obligation bonds.

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

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

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2012, investments consisted of federal agency securities, commercial paper, U.S. Treasury bills, repurchase agreements, and STAR Ohio. Repurchase agreements are reported at cost. Investments are reported at fair value, which is based on 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 net asset value per share, which is the price the investment could be sold for on June 30, 2012.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2012 was \$6,103, which included \$731 assigned from other School District funds.

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

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

G. 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.

H. Capital Assets

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

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

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

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

I. Interfund Assets/Liabilities

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

J. Compensated Absences

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

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

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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. Unamortized Issuance Costs and Premiums

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

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the debt is issued.

M. Unamortized Loss on Advance Refunding

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

N. 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 through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for music and athletic programs and federal and state grants.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

P. Capital Contributions

Capital contributions arise from contributions of capital assets from outside sources.

Q. 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.

R. Estimates

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

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 3 - Accountability

At June 30, 2012, the Education Jobs special revenue fund had a deficit fund balance, in the amount of \$379, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 4 - Budgetary Basis of Accounting

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

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

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

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

Changes in Fund Balance	
GAAP Basis	\$1,159,411
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2011, Received in Cash FY 2012	764,352
Accrued FY 2012, Not Yet Received in Cash	(1,408,340)
Expenditure Accruals:	
Accrued FY 2011, Paid in Cash FY 2012	(1,294,935)
Accrued FY 2012, Not Yet Paid in Cash	1,326,886
Cash Adjustments:	
Unrecorded Activity FY 2012	(420)
Materials and Supplies Inventory	(1,169)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(373,019)
Budget Basis	\$172,766

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 5 - Deposits and Investments

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

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

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

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

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

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

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

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 5 - Deposits and Investments (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$552,749 of the School District's bank balance of \$1,676,645 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 School District to a successful claim by the FDIC.

The School 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 School 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, 2012, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Farm Credit Banks Notes	\$499,220	8/7/13
Commercial Paper	249,623	7/30/12
U.S. Treasury Bill	999,570	11/15/12
Repurchase Agreement	2,967,395	7/2/12
STAR Ohio	649,292	average 52.5 days
Total Investments	<u>\$5,365,100</u>	

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

The Federal Farm Credit Bank Notes and the securities underlying the repurchase agreement (Federal Home Loan Mortgage Corporation Notes) carry a rating of Aaa by Moodys. The commercial paper carries a rating of A-1 by Standard and Poors. U.S. Treasury Bills are guaranteed by the United States Government. STAR Ohio carries a rating of AAA by Standard and Poors. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that repurchase agreements be limited to investments in United States treasury securities and federal government agency securities. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

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

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 5 - Deposits and Investments (Continued)

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

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Farm Credit Bank	\$499,220	9.3%
Commercial Paper	249,623	4.7
U.S. Treasury	999,570	18.6
Repurchase Agreement	2,967,395	55.3

Note 6 - Receivables

Receivables at June 30, 2012, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, interfund, income taxes, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except income taxes and property taxes are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
Ohio Department of Taxation	\$1,625
Ohio Bureau of Workers' Compensation	18
Total General Fund	<u>1,643</u>
Other Governmental Funds	
Education Jobs	53,641
Race to the Top	14,842
Title II-D	926
Title I	19,859
Total Other Governmental Funds	<u>89,268</u>
Total Governmental Activities	<u><u>\$90,911</u></u>

Note 7 - Income Taxes

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1995, and was renewed in 2010 for a ten year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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.

The School District receives property taxes from Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2012, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012, was \$645,000 in the General Fund and \$83,000 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2011, was \$290,000 in the General Fund and \$38,000 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 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$122,068,110	77.81%	\$122,964,050	78.27%
Industrial/Commercial	27,405,750	17.47	26,421,030	16.82
Public Utility	7,412,260	4.72	7,712,640	4.91
Total Assessed Value	<u>\$156,886,120</u>	<u>100.00%</u>	<u>157,097,720</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.23		\$43.40	

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

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 exemptions to those property owners. The property owners have agreed to make payments to the City and County which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The agreements provide for a portion of these payments to be paid to the School District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$930,570			\$930,570
Construction in Progress	13,180		(\$13,180)	
Total Nondepreciable Capital Assets	943,750		(13,180)	930,570
Depreciable Capital Assets				
Land Improvements	1,257,220	\$4,614		1,261,834
Buildings and Building Improvements	14,698,184	116,768		14,814,952
Furniture, Fixtures, and Equipment	1,535,094	163,999	(29,808)	1,669,285
Vehicles	1,009,836	21,363	(22,656)	1,008,543
Total Depreciable Capital Assets	18,500,334	306,744	(52,464)	18,754,614
Less Accumulated Depreciation				
Land Improvements	(411,077)	(62,010)		(473,087)
Buildings and Building Improvements	(7,664,183)	(353,354)		(8,017,537)
Furniture, Fixtures, and Equipment	(908,115)	(110,290)	24,586	(993,819)
Vehicles	(609,477)	(55,164)	22,656	(641,985)
Total Accumulated Depreciation	(9,592,852)	(580,818)	47,242	(10,126,428)
Depreciable Capital Assets, Net	8,907,482	(274,074)	(5,222)	8,628,186
Governmental Activities Capital Assets, Net	<u>\$9,851,232</u>	<u>(\$274,074)</u>	<u>(\$18,402)</u>	<u>\$9,558,756</u>

During fiscal year 2012, the School District accepted contributions of depreciable capital assets from outside sources with a fair value of \$4,000.

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 10 - Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$201,855
Special	27,235
Vocational	17,141
Support Services:	
Pupils	17,723
Instructional Staff	18,410
Administration	18,809
Fiscal	3,649
Operation and Maintenance of Plant	79,528
Pupil Transportation	61,295
Central	14,590
Non-Instructional Services	14,821
Extracurricular Activities	105,762
Total Depreciation Expense	\$580,818

Note 11 - Interfund Assets/Liabilities

At June 30, 2012, the General Fund had an interfund receivable, in the amount of \$1,548, from other governmental funds to alleviate deficit cash balances. Amounts are expected be repaid within one year.

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted for the following insurance coverage:

Coverage provided by The Schools of Ohio Risk Sharing Authority is as follows:	
Building and Contents	\$39,273,892
General School District Liability	
Per Occurrence	12,000,000
Aggregate	14,000,000
Automobile Liability	12,000,000
Uninsured Motorists	1,000,000

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

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

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 12 - Risk Management (Continued)

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

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 13 - Defined Benefit Pension Plans (Continued)

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$677,878 and \$13,790 for the fiscal year ended June 30, 2012, \$671,894 and \$13,098 for the fiscal year ended June 30, 2011, and \$665,987 and \$12,298 for the fiscal year ended June 30, 2010. For fiscal year 2012, 84 percent has been contributed for both the DBP and the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The contribution to STRS Ohio for the DCP for fiscal year 2012 was \$15,442 made by the School District and \$11,030 made by the plan members. In addition, member contributions of \$9,850 were made for fiscal year 2012 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is 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. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$203,184, \$175,968, and \$188,146, respectively. For fiscal year 2012, 46 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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, 2012, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District participates in 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. Ohio law authorizes STRS Ohio to offer the Plan. 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 can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the 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, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$54,393, \$53,734, and \$53,565, respectively. For fiscal year 2012, 84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment 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, Medicare Advantage, 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 obligation 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 can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

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 105(e). For fiscal year 2012, .55 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 2012, this amount was \$35,800. For fiscal year 2012, the School District paid \$20,937 in surcharge.

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

The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$8,799, \$21,307, and \$6,772, respectively. For fiscal year 2012, 46 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 14 - Postemployment Benefits (Continued)

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 2012, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$11,999, \$11,324, and \$11,189, respectively. For fiscal year 2012, 46 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Note 15 - Other Employee Benefits

A. Compensated Absences

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

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

B. Health Care Benefits

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

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12	Amounts Due Within One Year
General Obligation Bonds					
1998 School Improvement Refunding					
Capital Appreciation Bonds	\$272,004		\$65,299	\$206,705	\$55,678
Accretion on Capital Appreciation Bonds	1,955,688	\$329,795	504,701	1,780,782	
FY 2010 School Improvement Refunding					
Term Bonds 3.65% - 4.00%	1,570,000			1,570,000	
Premium	48,032			48,032	
Accounting Loss	(10,281)			(10,281)	
Total General Obligation Bonds	3,835,443	329,795	570,000	3,595,238	55,678
Compensated Absences Payable	842,559	124,139	60,535	906,163	61,430
Total Governmental Activities Long-Term Liabilities	<u>\$4,678,002</u>	<u>\$453,934</u>	<u>\$630,535</u>	<u>\$4,501,401</u>	<u>\$117,108</u>

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 16 - Long-Term Obligations (Continued)

FY 1998 School Improvement Refunding Bonds - On April 1, 1998, the School District issued \$7,303,427 in voted general obligation bonds to pay notes, in the amount of \$700,000, and to refund bonds previously issued in 1994, in the amount of \$6,604,053, for constructing, furnishing, and equipping a new high school and improvements to other School District buildings. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$5,290,000, \$1,575,000, and \$438,427, respectively. The bonds were issued for a twenty-two year period, with final maturity during fiscal year 2020. The remaining balance of the term bonds was advance refunded during fiscal 2010.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2010 through 2017. The maturity amount of the bonds was \$4,560,000. For fiscal year 2012, \$329,795 was accreted and \$570,000 was paid on the capital appreciation bonds for a total outstanding bond value of \$1,987,487 at fiscal year end.

The refunded bonds have been fully retired.

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

Compensated absences will be paid from the General Fund.

The School District's overall debt margin was \$12,190,015 with an unvoted debt margin of \$149,416 at June 30, 2012.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2012, were as follows:

Fiscal Year Ending June 30,	General Obligations Bonds			Total
	Term	Capital	Interest	
2013		\$55,678	\$574,215	\$629,893
2014		47,470	582,422	629,892
2015		40,162	589,730	629,892
2016		34,228	595,664	629,892
2017		29,167	600,725	629,892
2018-2020	\$1,570,000		87,839	1,657,839
	<u>\$1,570,000</u>	<u>\$206,705</u>	<u>\$3,030,595</u>	<u>\$4,807,300</u>

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 17 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies Inventory	\$9,775		\$1,465	\$11,240
Restricted for:				
Athletics and Music			46,803	46,803
Debt Retirement		\$519,299		519,299
Food Service Operations			102,141	102,141
Inventory Held for Resale			3,768	3,768
Regular Instruction			1,911	1,911
Vocational Instruction			499	499
Total Restricted		519,299	155,122	674,421
Committed for:				
Capital Improvements			60,900	60,900
Termination Benefits	179,156			179,156
Total Committed	179,156		60,900	240,056
Assigned for:				
Extracurricular Activities	32,102			32,102
Permanent Improvements			417,790	417,790
Unpaid Obligations	209,638			209,638
Total Assigned	241,740		417,790	659,530
Unassigned (Deficit)	5,450,399		(379)	5,450,020
Total Fund Balance	\$5,881,070	\$519,299	\$634,898	\$7,035,267

Note 18 - Set Asides

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. The amount 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. This amount must be carried forward and used for the same purpose in future years. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011.

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2012.

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 18 - Set Asides (Continued)

	Capital Improvements
Balance June 30, 2011	\$44,256
Current Year Set Aside Requirement	213,789
Current Year Offsets	(157,787)
Qualifying Expenditures	(100,258)
Reserve Balance June 30, 2012	\$46,990

Note 19 - Interfund Transfers

During fiscal year 2012, the General Fund made transfers to other governmental funds, in the amount of \$569,432, to subsidize permanent improvements and operations of other governmental funds.

Note 20 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2012, the School District paid \$30,853 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Career and Technology Center

The Millstream Career and Technology Center is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Career Center provides vocational instruction to students. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Treasurers from the Hancock and Putnam County Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District, 1219 West Main Cross, Suite 101, Findlay, Ohio 45840-3377.

C. Hancock County Local Professional Development Committee

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

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 20 - 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, North Point Educational Service Center, 2900 Columbus Avenue, Sandusky, Ohio 44870.

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

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

Note 21 - Insurance Pools

A. Hancock County Schools Health Benefit Fund

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

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

**Liberty Benton Local School District
Hancock County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)**

Note 21 - Insurance Pools (Continued)

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

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

Note 22 - Contingencies

A. School Attendance

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

B. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

C. Litigation

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

LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program	10.555		
Cash Assistance		\$127,397	\$127,397
Non-Cash Assistance (Commodities)		53,788	53,788
Total National School Lunch Program		<u>181,185</u>	<u>181,185</u>
School Breakfast Program	10.553	<u>20,522</u>	<u>20,522</u>
Total U.S. Department of Agriculture		<u>201,707</u>	<u>201,707</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	128,292	129,840
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	277,996	284,727
Special Education - Preschool Grants	84.173	4,465	4,465
ARRA - Special Education - Grants to States, Recovery Act	84.391	<u>2,876</u>	<u>1,213</u>
Total Special Education Cluster:		<u>285,337</u>	<u>290,405</u>
Improving Teacher Quality State Grants	84.367	23,647	23,647
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	41,625	41,625
Educational Jobs Grant	84.410	<u>254,626</u>	<u>254,626</u>
Total U.S. Department of Education		<u>733,527</u>	<u>740,143</u>
Total Federal Awards Receipts and Expenditures		<u><u>\$935,234</u></u>	<u><u>\$941,850</u></u>

The accompanying notes are an integral part of this Schedule.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Benton Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

February 6, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Liberty Benton Local School District, Hancock County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. 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 opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these 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 these requirements.

In our opinion, Liberty Benton Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

February 6, 2013

**LIBERTY BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

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 significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Educational Jobs Grant CFDA #84.410
<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?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • 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
FEBRUARY 21, 2013**