



Dave Yost • Auditor of State



**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinions.

**Opinion**

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, 2014, and the respective changes in financial position, and the budgetary comparison for the General fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Award Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 25, 2015

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Liberty Benton Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited

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The discussion and analysis of Liberty Benton Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Highlights**

Highlights for fiscal year 2014 were as follows:

Net position increased \$248,332, or 2 percent.

General revenues were \$12,307,943, or 80 percent of total revenues, and demonstrate the District's significant dependence on property and income taxes as well as State funding.

**Using the Basic Financial Statements**

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

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

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

**Reporting the District as a Whole**

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2014. 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 District's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, all of the District's activities are reflected as governmental activities. The programs and services reported here include instruction, support services,

Liberty Benton Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited

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non-instructional services, and extracurricular activities. These services are primarily funded by property and income tax revenues as well as unrestricted State entitlements.

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

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

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

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

**The District as a Whole**

Table 1 provides a summary of the District's net position for fiscal year 2014 and fiscal year 2013:

Table 1  
Net Position

	Governmental Activities		
	2014	2013	Change
<u>Assets</u>			
Current and Other Assets	\$14,075,658	\$13,274,125	\$801,533
Capital Assets, Net	8,733,940	9,166,262	(432,322)
Total Assets	22,809,598	22,440,387	369,211
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding	10,281	10,281	0

(continued)

Liberty Benton Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited

Table 1  
Net Position  
(continued)

	Governmental Activities		
	2014	2013	Change
<u>Liabilities</u>			
Current and Other Liabilities	\$1,741,433	\$1,318,701	(\$422,732)
Long-Term Liabilities	3,864,989	4,183,903	318,914
Total Liabilities	5,606,422	5,502,604	(103,818)
<u>Deferred Inflows of Resources</u>			
Property Taxes	3,907,898	3,890,603	(17,295)
Payment in Lieu of Taxes	7,585	7,819	234
Total Deferred Inflows of Resources	3,915,483	3,898,422	(17,061)
<u>Net Position</u>			
Net Investment in Capital Assets	7,022,632	7,407,484	(384,852)
Restricted	668,319	730,854	(62,535)
Unrestricted	5,607,023	4,911,304	695,719
Total Net Position	\$13,297,974	\$13,049,642	\$248,332

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 and the receivable for property taxes. There was an increase in the assessed valuation of property within the District of almost \$17 million. As a result, there was an increase in revenue received during the fiscal year (contributed to the increase in cash and cash equivalents as of fiscal year end) as well as to an increase in the receivable at the end of the fiscal year. In addition, there was an increase in State foundation resources due to a change in the State funding formula. This also contributed to the higher cash balance at the end of the fiscal year. The decrease in net capital assets and the investment in capital assets was generally due to annual depreciation expense. Lastly, the increase in current and other liabilities is primarily related to payables for small equipment purchases and the timing of those payments.

Table 2 reflects the change in net position for fiscal year 2014 and fiscal year 2013:

Table 2  
Change in Net Position

	Governmental Activities		
	2014	2013	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$1,932,308	\$1,938,842	(\$6,534)
Operating Grants, Contributions, and Interest	1,145,149	996,594	148,555
Total Program Revenues	3,077,457	2,935,436	142,021

(continued)

Liberty Benton Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited

Table 2  
Change in Net Position  
(continued)

	Governmental Activities		
	2014	2013	Change
General Revenues			
Property Taxes	\$5,141,057	\$4,790,868	\$350,189
Income Taxes	1,624,446	1,593,496	30,950
Payment in Lieu of Taxes	15,998	13,790	2,208
Grants and Entitlements	5,421,860	5,429,260	(7,400)
Interest	5,612	6,736	(1,124)
Gifts and Donations	3,617	17,692	(14,075)
Miscellaneous	95,353	170,461	(75,108)
Total General Revenues	<u>12,307,943</u>	<u>12,022,303</u>	<u>285,640</u>
Total Revenues	<u>15,385,400</u>	<u>14,957,739</u>	<u>427,661</u>
<u>Expenses</u>			
Instruction:			
Regular	6,588,456	6,255,060	(333,396)
Special	1,498,607	1,252,029	(246,578)
Vocational	317,530	354,513	36,983
Support Services:			
Pupils	1,060,027	1,059,214	(813)
Instructional Staff	996,899	608,767	(388,132)
Board of Education	25,681	17,330	(8,351)
Administration	1,017,569	1,066,428	48,859
Fiscal	322,305	324,697	2,392
Business	1,645	1,665	20
Operation and Maintenance of Plant	1,221,340	1,102,301	(119,039)
Pupil Transportation	577,404	573,132	(4,272)
Central	148,422	130,669	(17,753)
Non-Instructional Services	529,350	563,820	34,470
Extracurricular Activities	532,219	516,042	(16,177)
Interest and Fiscal Charges	299,614	380,959	81,345
Total Expenses	<u>15,137,068</u>	<u>14,206,626</u>	<u>(930,442)</u>
Increase in Net Position	248,332	751,113	(502,781)
Net Position at Beginning of Year	<u>13,049,642</u>	<u>12,298,529</u>	<u>751,113</u>
Net Position at End of Year	<u>\$13,297,974</u>	<u>\$13,049,642</u>	<u>\$248,332</u>

There was a modest 3 percent increase in total revenues. Programs revenues increased primarily due to the increase in State foundation funding and the most significant increase in general revenues was the increase in property tax revenues, both of which were discussed previously.

Liberty Benton Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited

The increase in expenses was over 6 percent. The largest increases were related to the regular and special instruction programs and due to salary and related fringe benefit increases. The increase in the instructional staff program was generally related to small equipment purchases (Ipad and laptops). As is to be expected, the instruction programs are the District's largest expense, accounting for 56 percent of all governmental activities expenses. Combined with the support services related to instruction, such as pupils, instructional staff, operation and maintenance of plant, and pupil transportation, 81 percent of all of the 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	
	2014	2013	2014	2013
Instruction:				
Regular	\$6,588,456	\$6,255,060	\$5,198,218	\$4,812,995
Special	1,498,607	1,252,029	480,019	448,261
Vocational	317,530	354,513	267,018	309,800
Support Services:				
Pupils	1,060,027	1,059,214	1,054,627	1,053,814
Instructional Staff	996,899	608,767	996,899	608,767
Board of Education	25,681	17,330	25,681	17,330
Administration	1,017,569	1,066,428	1,017,569	1,066,428
Fiscal	322,305	324,697	322,305	324,697
Business	1,645	1,665	1,645	1,665
Operation and Maintenance of Plant	1,221,340	1,102,301	1,221,340	1,102,301
Pupil Transportation	577,404	573,132	566,346	559,077
Central	148,422	130,669	148,422	130,669
Non-Instructional Services	529,350	563,820	41,128	45,031
Extracurricular Activities	532,219	516,042	418,780	409,396
Interest and Fiscal Charges	299,614	380,959	299,614	380,959
Total Expenses	<u>\$15,137,068</u>	<u>\$14,206,626</u>	<u>\$12,059,611</u>	<u>\$11,271,190</u>

Liberty Benton Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited

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The above table demonstrates that 80 percent of all of the District's costs for fiscal year 2014 were provided for through general revenues (79 percent in fiscal year 2013). Only several of the District's programs receive significant support from program revenues. For instance, the special instruction program paid for 68 percent of its costs through program revenues, those generally being operating grants restricted to special instruction programs. The non-instructional program provided for 92 percent of its costs through program revenues consisting of cafeteria sales, state and federal subsidies, and donated commodities for food service operations.

### **The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance in the General Fund increased 11 percent. Both revenues and expenditures increased approximately 4 percent from the prior fiscal year; however, revenues remained in excess of expenditures and the General Fund transfers to subsidize operations in other funds were lower in fiscal year 2014, both contributing to the increase in fund balance.

The change in fund balance in the Bond Retirement Fund was not significant.

### **General Fund Budgeting Highlights**

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

During fiscal year 2014, the District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget were not significant. The same can be said for expenditures.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

At the end of fiscal year 2014, the District had \$8,733,940 invested in capital assets (net of accumulated depreciation). Additions and disposals were not significant. For further information regarding the District's capital assets, refer to Note 9 to the basic financial statements.

#### **Debt**

At June 30, 2014, the District had outstanding general obligation bonds, in the amount of \$2,993,556. The District's long-term obligations also include compensated absences. For further information regarding the District's long-term obligations, refer to Note 15 to the basic financial statements.

Liberty Benton Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited

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**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 District's Financial Management**

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

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Liberty Benton Local School District  
Statement of Net Position  
June 30, 2014

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$8,497,520
Accounts Receivable	21,998
Accrued Interest Receivable	4,166
Intergovernmental Receivable	23,484
Income Taxes Receivable	692,307
Inventory Held for Resale	5,446
Materials and Supplies Inventory	11,371
Property Taxes Receivable	4,804,738
Payment in Lieu of Taxes Receivable	14,628
Nondepreciable Capital Assets	930,570
Depreciable Capital Assets, Net	7,803,370
Total Assets	22,809,598
 <u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	10,281
 <u>Liabilities:</u>	
Accounts Payable	478,164
Accrued Wages and Benefits Payable	941,788
Intergovernmental Payable	316,722
Accrued Interest Payable	4,759
Long-Term Liabilities:	
Due Within One Year	181,467
Due in More Than One Year	3,683,522
Total Liabilities	5,606,422
 <u>Deferred Inflows of Resources:</u>	
Property Taxes	3,907,898
Payment in Lieu of Taxes	7,585
Total Deferred Inflows of Resources	3,915,483
 <u>Net Position:</u>	
Net Investment in Capital Assets	7,022,632
Restricted For:	
Capital Projects	707
Debt Service	562,901
Food Service	21,940
Athletics and Music	58,669
Other Purposes	24,102
Unrestricted	5,607,023
Total Net Position	\$13,297,974

See Accompanying Notes to Basic Financial Statements

Liberty Benton Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions, and Interest
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$6,588,456	\$1,351,170	\$39,068
Special	1,498,607	204,410	814,178
Vocational	317,530	0	50,512
Support Services:			
Pupils	1,060,027	0	5,400
Instructional Staff	996,899	0	0
Board of Education	25,681	0	0
Administration	1,017,569	0	0
Fiscal	322,305	0	0
Business	1,645	0	0
Operation and Maintenance of Plant	1,221,340	0	0
Pupil Transportation	577,404	0	11,058
Central	148,422	0	0
Non-Instructional Services	529,350	268,868	219,354
Extracurricular Activities	532,219	107,860	5,579
Interest and Fiscal Charges	299,614	0	0
Total Governmental Activities	<u>\$15,137,068</u>	<u>\$1,932,308</u>	<u>\$1,145,149</u>

General Revenues:

Property Taxes Levied for General Purposes  
Property Taxes Levied for Debt Service Purposes  
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 Position

Net Position at Beginning of Year  
Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue  
and Change in  
Net Position

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Governmental  
Activities

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(\$5,198,218)  
(480,019)  
(267,018)

(1,054,627)  
(996,899)  
(25,681)  
(1,017,569)  
(322,305)  
(1,645)

(1,221,340)  
(566,346)  
(148,422)  
(41,128)  
(418,780)  
(299,614)  

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(12,059,611)

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4,586,753  
554,304  
1,624,446  
15,998  
5,421,860  
5,612  
3,617  
95,353

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12,307,943

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248,332

13,049,642  

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\$13,297,974

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Liberty Benton Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2014

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$6,956,543	\$469,161	\$1,071,816	\$8,497,520
Accounts Receivable	21,892	0	106	21,998
Accrued Interest Receivable	4,166	0	0	4,166
Intergovernmental Receivable	750	0	22,734	23,484
Income Taxes Receivable	692,307	0	0	692,307
Inventory Held for Resale	0	0	5,446	5,446
Materials and Supplies Inventory	9,423	0	1,948	11,371
Property Taxes Receivable	4,275,922	528,816	0	4,804,738
Payment in Lieu of Taxes Receivable	13,063	1,565	0	14,628
Total Assets	<u>\$11,974,066</u>	<u>\$999,542</u>	<u>\$1,102,050</u>	<u>\$14,075,658</u>
<u>Liabilities:</u>				
Accounts Payable	\$31,303	\$0	\$446,861	\$478,164
Accrued Wages and Benefits Payable	916,371	0	25,417	941,788
Intergovernmental Payable	301,514	0	15,208	316,722
Total Liabilities	<u>1,249,188</u>	<u>0</u>	<u>487,486</u>	<u>1,736,674</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	3,476,835	431,063	0	3,907,898
Payment in Lieu of Taxes	6,766	819	0	7,585
Unavailable Revenue	120,955	2,681	6,344	129,980
Total Deferred Inflows of Resources	<u>3,604,556</u>	<u>434,563</u>	<u>6,344</u>	<u>4,045,463</u>
<u>Fund Balances:</u>				
Nonspendable	9,423	0	1,948	11,371
Restricted	0	564,979	97,126	662,105
Committed	173,745	0	0	173,745
Assigned	302,644	0	509,146	811,790
Unassigned	6,634,510	0	0	6,634,510
Total Fund Balances	<u>7,120,322</u>	<u>564,979</u>	<u>608,220</u>	<u>8,293,521</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$11,974,066</u>	<u>\$999,542</u>	<u>\$1,102,050</u>	<u>\$14,075,658</u>

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District  
 Reconciliation of Total Governmental Fund Balances  
 to Net Position of Governmental Activities  
 June 30, 2014

Total Governmental Fund Balances \$8,293,521

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 8,733,940

Deferred outflows of resources consists of deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds. 10,281

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	21,465	
Accrued Interest Receivable	3,296	
Intergovernmental Receivable	6,344	
Income Taxes Receivable	73,945	
Delinquent Property Taxes Receivable	24,930	
		129,980

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	(2,993,556)	
Compensated Absences Payable	(871,433)	
		(3,869,748)

Net Position of Governmental Activities \$13,297,974

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$4,587,621	\$554,507	\$0	\$5,142,128
Income Taxes	1,631,505	0	0	1,631,505
Payment in Lieu of Taxes	14,304	1,694	0	15,998
Intergovernmental	5,830,035	119,780	679,041	6,628,856
Interest	3,898	0	86	3,984
Tuition and Fees	1,551,721	0	0	1,551,721
Extracurricular Activities	0	0	107,860	107,860
Charges for Services	0	0	268,868	268,868
Gifts and Donations	641	0	8,555	9,196
Miscellaneous	74,998	0	35,314	110,312
Total Revenues	<u>13,694,723</u>	<u>675,981</u>	<u>1,099,724</u>	<u>15,470,428</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,272,684	0	77,363	6,350,047
Special	1,357,356	0	112,601	1,469,957
Vocational	300,389	0	0	300,389
Support Services:				
Pupils	822,725	0	230,361	1,053,086
Instructional Staff	261,633	0	742,513	1,004,146
Board of Education	25,681	0	0	25,681
Administration	993,952	0	0	993,952
Fiscal	310,363	10,310	0	320,673
Business	1,645	0	0	1,645
Operation and Maintenance of Plant	1,102,811	0	51,624	1,154,435
Pupil Transportation	617,513	0	0	617,513
Central	133,832	0	0	133,832
Non-Instructional Services	901	0	514,724	515,625
Extracurricular Activities	313,351	0	119,241	432,592
Capital Outlay	8,894	0	11,300	20,194
Debt Service:				
Principal Retirement	0	47,470	0	47,470
Interest and Fiscal Charges	0	59,893	0	59,893
Interest on Capital Appreciation Bonds	0	522,530	0	522,530
Total Expenditures	<u>12,523,730</u>	<u>640,203</u>	<u>1,859,727</u>	<u>15,023,660</u>
Excess of Revenues Over (Under) Expenditures	<u>1,170,993</u>	<u>35,778</u>	<u>(760,003)</u>	<u>446,768</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	460,428	460,428
Transfers Out	(460,428)	0	0	(460,428)
Total Other Financing Sources (Uses)	<u>(460,428)</u>	<u>0</u>	<u>460,428</u>	<u>0</u>
Changes in Fund Balances	710,565	35,778	(299,575)	446,768
Fund Balances at Beginning of Year	6,409,757	529,201	907,795	7,846,753
Fund Balances at End of Year	<u>\$7,120,322</u>	<u>\$564,979</u>	<u>\$608,220</u>	<u>\$8,293,521</u>

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District  
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
 of Governmental Funds to Statement of Activities  
 For the Fiscal Year Ended June 30, 2014

Changes in Fund Balances - Total Governmental Funds \$446,768

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 exceeded capital outlay in the current fiscal year.

Capital Outlay - Depreciable Capital Assets	155,766	
Depreciation	<u>(587,020)</u>	(431,254)

The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (1,068)

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

Delinquent Property Taxes	(1,071)	
Income Taxes	(7,059)	
Intergovernmental	(67,512)	
Interest	1,714	
Tuition and Fees	3,859	
Miscellaneous	<u>(14,959)</u>	(85,028)

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position. 47,470

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

Annual Accretion on Capital Appreciation Bonds	(239,721)	
Payment of Accretion of Capital Appreciation Bonds	<u>522,530</u>	282,809

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. (11,365)

Change in Net Position of Governmental Activities \$248,332

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<u>Revenues:</u>				
Property Taxes	\$3,965,070	\$4,135,305	\$4,453,783	\$318,478
Income Taxes	1,489,841	1,489,841	1,614,661	124,820
Payment in Lieu of Taxes	10,100	10,100	13,063	2,963
Intergovernmental	5,805,356	5,957,812	5,830,035	(127,777)
Interest	5,100	5,100	5,076	(24)
Tuition and Fees	1,455,213	1,455,213	1,551,575	96,362
Gifts and Donations	3,700	3,700	641	(3,059)
Miscellaneous	59,310	63,670	57,036	(6,634)
Total Revenues	<u>12,793,690</u>	<u>13,120,741</u>	<u>13,525,870</u>	<u>405,129</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,072,664	6,185,430	6,056,493	128,937
Special	986,112	1,159,075	1,210,074	(50,999)
Vocational	236,867	237,167	197,042	40,125
Support Services:				
Pupils	638,445	638,445	652,782	(14,337)
Instructional Staff	343,269	190,019	220,700	(30,681)
Board of Education	22,604	10,604	28,241	(17,637)
Administration	931,551	929,700	990,747	(61,047)
Fiscal	304,353	297,131	310,179	(13,048)
Business	2,132	1,682	1,958	(276)
Operation and Maintenance of Plant	594,084	594,844	603,105	(8,261)
Pupil Transportation	551,783	640,854	671,217	(30,363)
Central	228,773	246,648	135,514	111,134
Extracurricular Activities	308,801	308,651	315,633	(6,982)
Capital Outlay	16,500	16,500	16,500	0
Adult Education				
Adult/Continuing	216	216	0	216
Rotary				
Instructional Staff	25,000	25,000	8,532	16,468
Emergency Levy				
Regular	121,214	201,215	201,458	(243)
Special	160,277	147,217	141,335	5,882
Vocational	176,100	144,047	124,333	19,714
Pupils	219,398	193,300	175,556	17,744
Instructional Staff	39,685	39,685	44,175	(4,490)
Fiscal	28,000	24,014	23,806	208
Operation and Maintenance of Plant	469,921	585,103	608,327	(23,224)
Pupil Transportation	600	600	2,042	(1,442)
Academic Incentives				
Administration	57,295	57,295	54,583	2,712
District Support				
Administration	0	0	564	(564)
Total Expenditures	<u>12,535,644</u>	<u>12,874,442</u>	<u>12,794,896</u>	<u>79,546</u>
Excess of Revenues Over Expenditures	<u>258,046</u>	<u>246,299</u>	<u>730,974</u>	<u>484,675</u>

(continued)



Liberty Benton Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2014  
(continued)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	\$12,250	\$12,250	\$48,230	\$35,980
Other Financing Sources	0	0	3,125	3,125
Transfers In	600	600	0	(600)
Transfers Out	(435,651)	(456,291)	(460,428)	(4,137)
Total Other Financing Sources (Uses)	<u>(422,801)</u>	<u>(443,441)</u>	<u>(409,073)</u>	<u>34,368</u>
Changes in Fund Balance	(164,755)	(197,142)	321,901	519,043
Fund Balance at Beginning of Year	5,897,375	5,897,375	5,897,375	0
Prior Year Encumbrances Appropriated	306,678	306,678	306,678	0
Fund Balance at End of Year	<u>\$6,039,298</u>	<u>\$6,006,911</u>	<u>\$6,525,954</u>	<u>\$519,043</u>

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2014

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$4,342	\$86,762
	\$4,342	\$86,762
<u>Liabilities:</u>		
Undistributed Assets		\$1,579
Due to Students	0	85,183
Total Liabilities	0	\$86,762
<u>Net Position:</u>		
Held in Trust for Scholarships	\$4,342	

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District  
Statement of Change in Fiduciary Net Position  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2014

Additions:

Gifts and Donations	<u>\$3,200</u>
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Deductions:

Non-Instructional Services	<u>2,600</u>
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Change in Net Position	600
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Net Position at Beginning of Year	<u>3,742</u>
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Net Position at End of Year	<u><u>\$4,342</u></u>
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See Accompanying Notes to the Basic Financial Statements

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**Note 1 - Description of the District and Reporting Entity**

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

The District was established in 1954. It is located in Hancock County and includes all of the Village of Benton Ridge, and part of Blanchard, Eagle, and Liberty Townships. The District is the 378<sup>h</sup> largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by sixty -one classified employees, ninety certified teaching personnel, and seven administrative employees who provide services to one thousand two hundred one students and other community members. The District currently operates two instructional buildings.

**Reporting Entity**

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

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

The District participates in five jointly governed organizations and three 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, Schools of Ohio Risk Sharing Authority, Hancock County Schools Health Benefit Fund, and the Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The basic financial statements of Liberty Benton Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the District’s accounting policies.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

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

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Governmental Funds**

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

**General Fund** - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the 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 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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District'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 District's agency funds account for various non-instructional faculty-related activities and student-managed activities.

**C. Measurement Focus**

**Government-Wide Financial Statements**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Fund Financial Statements**

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

**D. Basis of Accounting**

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

**Revenues - Exchange and Nonexchange Transactions**

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

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

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



**Note 2 - Summary of Significant Accounting Policies** (continued)

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the District, deferred outflows of resources consists of a deferred charge on refunding reported on the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the life of the old debt or the life of the new debt, whichever is shorter.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources consists of property taxes, payment in lieu of taxes, and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

**Expenses/Expenditures**

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

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

**E. Budgetary Process**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

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

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

**F. Cash and Investments**

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

During fiscal year 2014, investments included negotiable certificates of deposit, federal agency securities, and STAR Ohio. 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, 2014.

The District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2014 was \$3,898, which included \$1,821 assigned from other District funds.

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

**G. 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 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 position but are not reported on the fund financial statements.

**Note 2 - Summary of Significant Accounting Policies** (continued)

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

All capital assets, except land, 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. Deferred Charge on 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 deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

**J. Compensated Absences**

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

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

**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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**L. Unamortized Premiums**

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

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

**M. Net Position**

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for federal and state grants.

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

**N. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the 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.

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 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. Assigned amounts represent intended uses established by the Board of Education. Fund balance policy of the Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

**Note 2 - Summary of Significant Accounting Policies** (continued)

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.

The 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.

**O. 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.

**P. Estimates**

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

**Note 3 - Budgetary Basis of Accounting**

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

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

Liberty Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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**Note 3 - Budgetary Basis of Accounting** (continued)

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

Changes in Fund Balance	
GAAP Basis	\$710,565
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2013, Received in Cash FY 2014	1,285,511
Accrued FY 2014, Not Yet Received in Cash	(1,403,544)
Expenditure Accruals:	
Accrued FY 2013, Paid in Cash FY 2014	(1,266,567)
Accrued FY 2014, Not Yet Paid in Cash	1,249,188
Cash Adjustments:	
Unrecorded Activity FY 2013	(2,780)
Unrecorded Activity FY 2014	3,315
Materials and Supplies Inventory	(540)
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses into Financial Statement Fund Types	60,634
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(313,881)
Budget Basis	\$321,901

**Note 4 - Deposits and Investments**

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

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

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.

**Note 4 - Deposits and Investments** (continued)

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

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

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

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

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$4,575,207 of the District's bank balance of \$5,475,530 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Liberty Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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**Note 4 - Deposits and Investments** (continued)

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

Investments

As of June 30, 2014, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Negotiable Certificates of Deposit	\$249,188	5/22/17
Negotiable Certificates of Deposit	249,285	4/16/18
Federal Home Loan Bank Notes	500,020	7/25/14
Federal Home Loan Bank Notes	500,630	9/25/17
Federal Home Loan Mortgage Corporation Notes	501,235	12/29/14
Federal National Mortgage Association Notes	497,705	4/20/17
STAR Ohio	649,919	51.4 Days
Total Investments	<u>\$3,147,982</u>	

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

The negotiable certificates of deposit are covered by FDIC and/or SIPC insurance. The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, and Federal National Mortgage Association Notes carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Negotiable Certificates of Deposit	\$498,473	15.8%
Federal Home Loan Bank	1,000,650	31.8
Federal Home Loan Mortgage Corporation	501,235	15.9
Federal National Mortgage Association	497,705	15.8



Liberty Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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**Note 5 - Receivables**

Receivables at June 30, 2014, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except income taxes 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 Bureau of Workers' Compensation	\$750
Other Governmental Fund	
Title I	22,734
Total Governmental Activities	<u><u>\$23,484</u></u>

**Note 6 - Income Taxes**

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

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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.

Liberty Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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**Note 7 - Property Taxes** (continued)

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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 District receives property taxes from Hancock County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2014, are available to finance fiscal year 2014 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, 2014, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2014, was \$776,838 in the General Fund and \$95,072 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2013, was \$643,000 in the General Fund and \$81,000 in the Bond Retirement debt service fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on an accrual basis. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$124,160,620	78.01%	\$139,947,220	79.62%
Industrial/Commercial	27,083,350	17.02	28,064,690	15.97
Public Utility	7,907,510	4.97	7,748,400	4.41
Total Assessed Value	159,151,480	100.00%	\$175,760,310	100.00%
Tax rate per \$1,000 of assessed valuation	\$42.98		\$41.97	

Liberty Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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**Note 8 - 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 District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$930,570	\$0	\$0	\$930,570
Depreciable Capital Assets				
Land Improvements	1,316,220	0	0	1,316,220
Buildings and Building Improvements	14,838,485	0	0	14,838,485
Furniture, Fixtures, and Equipment	1,701,300	70,664	(12,349)	1,759,615
Vehicles	1,043,206	90,102	(55,579)	1,077,729
Total Depreciable Capital Assets	18,899,211	160,766	(67,928)	18,992,049
Less Accumulated Depreciation				
Land Improvements	(533,241)	(64,941)	0	(598,182)
Buildings and Building Improvements	(8,372,788)	(351,384)	0	(8,724,172)
Furniture, Fixtures, and Equipment	(1,118,164)	(119,905)	6,281	(1,231,788)
Vehicles	(639,326)	(50,790)	55,579	(634,537)
Total Accumulated Depreciation	(10,663,519)	(587,020)	61,860	(11,188,679)
Depreciable Capital Assets, Net	8,235,692	(426,254)	(6,068)	7,803,370
Governmental Activities Capital Assets, Net	\$9,166,262	(\$426,254)	(\$6,068)	\$8,733,940

Liberty Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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**Note 9 - Capital Assets** (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$217,965
Special	29,148
Vocational	17,141
Support Services:	
Pupils	17,723
Instructional Staff	11,900
Administration	16,914
Fiscal	3,920
Operation and Maintenance of Plant	82,933
Pupil Transportation	52,382
Central	14,590
Non-Instructional Services	14,626
Extracurricular Activities	107,778
Total Depreciation Expense	<u><u>\$587,020</u></u>

**Note 10 - Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the District contracted for the following insurance coverage:

Coverage provided by The Schools of Ohio Risk Sharing Authority is as follows:	
Building and Contents	\$41,028,925
General 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.

For fiscal year 2014, the District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

The 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 District pays monthly premiums to the Fund for employee medical, dental, and vision insurance benefits. The Fund is responsible for the management and operations of the program. Upon withdrawal from the Fund, a participant is responsible for the payment of all Fund liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**Note 10 - Risk Management** (continued)

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

**Note 11 - Contractual Commitments**

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2015 are as follows:

General Fund	\$313,881
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**Note 12 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

Plan Description - The 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](http://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.

**Note 12 - Defined Benefit Pension Plans** (continued)

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 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$713,328 and \$15,664 for the fiscal year ended June 30, 2014, \$687,804 and \$15,634 for the fiscal year ended June 30, 2013, and \$677,878 and \$13,790 for the fiscal year ended June 30, 2012. For fiscal year 2014, 83 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 2013 and 2012.

The contribution to STRS Ohio for the DCP for fiscal year 2014 was \$11,544 made by the District and \$9,071 made by the plan members. In addition, member contributions of \$12,307 were made for fiscal year 2014 for the defined contribution portion of the CP.

**B. School Employees Retirement System**

Plan Description - The 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](http://www.ohsers.org) under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$207,494, \$208,905, and \$203,184, respectively. For fiscal year 2014, 62 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

**Note 12 - Defined Benefit Pension Plans** (continued)

**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, 2014, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 13 - Postemployment Benefits**

**A. State Teachers Retirement System**

Plan Description - The District 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](http://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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$56,964, \$55,479, and \$54,393, respectively. For fiscal year 2014, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current 1 percent allocation to the Health Care Fund effective July 1, 2014.

**B. School Employees Retirement System**

Plan Description - The 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](http://www.ohsers.org) under employers/audit resources.

**Note 13 - Postemployment Benefits** (continued)

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 2014, .14 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 2014, this amount was \$20,250. For fiscal year 2014, the District paid \$24,853 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 District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$2,217, \$2,552, and \$8,799, respectively. For fiscal year 2014, 62 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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 2014, this actuarially required allocation was .76 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 was \$12,038, \$11,801, and \$11,999, respectively. For fiscal year 2014, 62 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

**Note 14 - Other Employee Benefits**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

The District provides medical, dental, and vision insurance to all employees through the Hancock County Schools Health Benefit Fund. The District offers life insurance to all employees through American United Life Insurance. 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.



Liberty Benton Local School District  
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**Note 15 - Long-Term Obligations**

Changes in the District's long-term obligations during fiscal year 2014 were as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14	Amounts Due Within One Year
General Obligation Bonds					
1998 School Improvement Refunding					
Capital Appreciation Bonds	\$151,027	\$0	\$47,470	\$103,557	\$40,162
Accretion on Capital Appreciation Bonds	1,554,776	239,721	522,530	1,271,967	0
FY 2010 School Improvement Refunding					
Term Bonds 3.65% - 4.00%	1,570,000	0	0	1,570,000	0
Premium	48,032	0	0	48,032	0
Total General Obligation Bonds	3,323,835	239,721	570,000	2,993,556	40,162
Compensated Absences Payable	860,068	72,001	60,636	871,433	141,305
Total Governmental Activities Long-Term Liabilities	\$4,183,903	\$311,722	\$630,636	\$3,864,989	\$181,467

FY 1998 School Improvement Refunding Bonds - On April 1, 1998, the District issued \$7,303,427 in voted general obligation bonds to pay notes, in the amount of \$700,000, and to refund bonds previously issued in 1994, in the amount of \$6,604,053, for constructing, furnishing, and equipping a new high school and improvements to other District buildings. The refunding bond issue included serial, term, and capital appreciation bonds, in the 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 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 is \$4,560,000. For fiscal year 2014, \$239,721 was accreted and \$570,000 was paid on the capital appreciation bonds for a total outstanding bond value of \$1,375,524 at fiscal year end.

The refunded bonds have been fully retired.

FY 2010 School Improvement Refunding Bonds - On December 16, 2009, the 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 District buildings. The refunding bond issue consists of 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 District's overall debt margin was \$14,015,871 with an unvoted debt margin of \$168,049 at June 30, 2014.

Liberty Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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**Note 15 - Long-Term Obligations** (continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2014, were as follows:

Fiscal Year Ending June 30,	General Obligations Bonds			Total
	Term	Capital	Interest	
2015	\$0	\$40,162	\$589,730	\$629,892
2016	0	34,228	595,664	629,892
2017	0	29,167	600,725	629,892
2018	525,000	0	49,393	574,393
2019	545,000	0	28,946	573,946
2020	500,000	0	9,500	509,500
	<u>\$1,570,000</u>	<u>\$103,557</u>	<u>\$1,873,958</u>	<u>\$3,547,515</u>

**Note 16 - Fund Balance**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the 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	\$9,423	\$0	\$1,948	\$11,371
Restricted for:				
Athletics and Music	0	0	58,669	58,669
Debt Retirement	0	564,979	0	564,979
Food Service Operations	0	0	14,546	14,546
Inventory Held for Resale	0	0	5,446	5,446
Regular Instruction	0	0	1,561	1,561
Special Instruction	0	0	16,405	16,405
Vocational Instruction	0	0	499	499
Total Restricted	<u>0</u>	<u>564,979</u>	<u>97,126</u>	<u>662,105</u>
Committed for:				
Termination Benefits	<u>173,745</u>	<u>0</u>	<u>0</u>	<u>173,745</u>
Assigned for:				
Extracurricular Activities	35,662	0	0	35,662
Permanent Improvements	0	0	509,146	509,146
Unpaid Obligations	<u>266,982</u>	<u>0</u>	<u>0</u>	<u>266,982</u>
Total Assigned	<u>302,644</u>	<u>0</u>	<u>509,146</u>	<u>811,790</u>
Unassigned	<u>6,634,510</u>	<u>0</u>	<u>0</u>	<u>6,634,510</u>
Total Fund Balance	<u>\$7,120,322</u>	<u>\$564,979</u>	<u>\$608,220</u>	<u>\$8,293,521</u>

Liberty Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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**Note 17 - Set Asides**

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the 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.

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2014.

	<u>Capital Improvements</u>
Balance June 30, 2013	\$0
Current Year Set Aside Requirement	218,454
Current Year Offsets	(94,117)
Qualifying Expenditures	<u>(124,337)</u>
Reserve Balance June 30, 2014	<u>\$0</u>

**Note 18 - Interfund Transfers**

During fiscal year 2014, the General Fund made transfers to other governmental funds, in the amount of \$460,428, to subsidize permanent improvements and operations of other governmental funds.

**Note 19 - Jointly Governed Organizations**

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

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2014, the District paid \$36,595 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, 1100 Broad Avenue, Findlay, Ohio 45840-3377.

**Note 19 - Jointly Governed Organizations** (continued)

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

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

**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., 441 East Market Street, Celina, Ohio, 45822.

**E. Bay Area Council of Governments**

The Bay Area Council of Governments (Council) is a jointly governed organization among school districts which was formed to purchase quality products and services at the lowest possible cost to the participants. 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 District participates in the Council's prepaid natural gas program. This program allows the District to purchase natural gas at reduced rates if the District commits to participating for a twelve year period. The District makes monthly payments based on estimated usage. Each month the estimates are compared to actual usage and adjustments are made.

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

**Note 20 - Insurance Pools**

**A. Schools of Ohio Risk Sharing Authority**

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishing agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 775 Yard Street, Suite 200, Grandview Heights, Ohio 43212.

**B. 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 Plan is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the consultant concerning aspects of the administration of the Plan.

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 Neace Lukens, 285 Cozzins Street, Columbus, Ohio 43215.

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

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

**Note 21 - Contingencies**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

**Note 21 - Contingencies** (continued)

**B. Litigation**

The District is party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The District is unable to determine the impact the disposition of this case may have on its financial condition as of the date of the financial statements.

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program	10.555		
Cash Assistance		\$140,834	\$140,834
Non-Cash Assistance (Commodities)		58,334	58,334
Total National School Lunch Program		<u>199,168</u>	<u>199,168</u>
School Breakfast Program	10.553	17,131	17,131
<b>Total U.S. Department of Agriculture</b>		<b><u>216,299</u></b>	<b><u>216,299</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	140,065	139,719
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	212,684	212,684
Special Education - Preschool Grants	84.173	4,223	4,223
Total Special Education Cluster:		<u>216,907</u>	<u>216,907</u>
Improving Teacher Quality State Grants	84.367	21,585	21,585
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	59,425	58,725
Race to The Top Grant	84.413		47
<b>Total U.S. Department of Education</b>		<b><u>437,982</u></b>	<b><u>436,983</u></b>
<b>Total Federal Awards Receipts and Expenditures</b>		<b><u>\$654,281</u></b>	<b><u>\$653,282</u></b>

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, 2014**

**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 entitlement 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 AUDITOR'S 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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 25, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 25, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited Liberty Benton Local School District's, Hancock County, Ohio (the District) compliance with the applicable 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, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, Liberty Benton Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 25, 2015

**LIBERTY BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<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	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<u>Special Education Cluster:</u> Special Education – Grants to States CFDA #84.027 Special Education – Preschool Grants CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	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

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. In our report dated February 11, 2014, we noted the Board had not amended its anti-harassment policy to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".
2. The Board amended the policy on December 9, 2013. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

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

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

February 25, 2015

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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  
MARCH 12, 2015**