

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(Audited)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011***

**DAVID BUTLER, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Liberty Union-Thurston Local School District  
1008 South Main Street  
Baltimore, Ohio 43105

We have reviewed the *Independent Accountants' Report* of the Liberty Union-Thurston Local School District, Fairfield County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Liberty Union-Thurston Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

April 23, 2012

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**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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## **Julian & Grube, Inc.** *Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Accountants' Report

Liberty Union-Thurston Local School District  
1108 S. Main Street  
Baltimore, Ohio 43105

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty Union-Thurston Local School District, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Liberty Union-Thurston Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Liberty Union-Thurston Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty Union-Thurston Local School District, Fairfield County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the fiscal year ended June 30, 2011, the Liberty Union-Thurston Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2012 on our consideration of the Liberty Union-Thurston Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Accountants' Report  
Liberty Union-Thurston Local School District  
Page Two

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

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



Julian & Grube, Inc.  
February 27, 2012



**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)*

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The discussion and analysis of the Liberty Union-Thurston Local School District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

**Financial Highlights**

- ▶ The net assets of Liberty Union-Thurston Local School District exceeded its liabilities at June 30, 2011 by \$30,073,077. This balance was comprised of a \$13,462,863 invested in capital assets, net of related debt and \$11,926,420 net asset amounts restricted for specific purposes and a balance of \$4,683,794 in unrestricted net assets.
- ▶ In total, net assets of governmental activities increased by \$1,974,140 which represents a 7.03 percent increase from 2010.
- ▶ General revenues accounted for \$9,880,212 or 63.51 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,676,062 or 36.49 percent of total revenues of \$15,556,274.
- ▶ The District had \$13,582,134 in expenses related to governmental activities; only \$5,676,062 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$9,880,212 were used to provide for the remainder of these programs.
- ▶ The District recognizes three major governmental funds: the General, Bond Retirement and Classroom Facilities Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$11,964,941 in revenues and \$11,692,517 in expenditures in fiscal year 2011.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand Liberty Union-Thurston Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2011*

*(Unaudited)*

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**Reporting the District as a Whole**

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net assets and 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. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some item that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

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

**Fund Financial Statements**

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

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2011*

*(Unaudited)*

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A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of three categories: governmental, proprietary and fiduciary funds.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

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

**Proprietary Funds**

The District's proprietary funds are internal service funds. Since the internal service funds operate on a break-even, cost-reimbursement basis, the District reports the proprietary funds using the accrual basis of accounting.

**Fiduciary Funds**

The District's fiduciary funds are agency funds. We exclude the activities from the District's other financial statements because the District cannot use the assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds uses the accrual basis of accounting.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)*

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**Government-Wide Financial Analysis**

Recall that the statement of net assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for 2011 compared to fiscal year 2010:

Table 1  
**Net Assets**

	<u>Governmental Activities</u>	
	2011	2010
<u>Assets:</u>		
Current and Other Assets	\$25,012,612	\$35,752,818
Capital Assets, Net	24,244,521	10,685,134
<i>Total Assets</i>	<u>49,257,133</u>	<u>46,437,952</u>
<u>Liabilities:</u>		
Long-Term Liabilities	12,633,335	13,136,910
Other Liabilities	6,550,721	5,202,105
<i>Total Liabilities</i>	<u>19,184,056</u>	<u>18,339,015</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	13,462,863	1,914,324
Restricted	11,926,420	21,921,140
Unrestricted	4,683,794	4,263,473
<i>Total Net Assets</i>	<u>\$30,073,077</u>	<u>\$28,098,937</u>

Current and other assets decreased \$10,740,206 from fiscal year 2010 due to decreases in cash and cash equivalents held by the District and intergovernmental receivable related to the school facilities project.

Capital assets increased \$13,559,387 or 126.90 percent as the result of construction in progress.

Current (other) liabilities increased \$1,348,616 or 25.92 percent due primarily to increases in accrued wages payable and contracts payable.

Long-term liabilities decreased \$503,575 as a result of scheduled debt payments.

The District's largest portion of net assets is invested in capital assets, net of related debt. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)*

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The District's smallest portion of net assets is unrestricted net assets of \$4,683,794. These net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors.

The remaining balance of \$11,926,420 is restricted. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2011 and comparisons to fiscal year 2010.

Table 2  
**Changes in Net Assets**

	<b>Governmental Activities</b>	
	<u>2011</u>	<u>2010</u>
<b><u>Revenues:</u></b>		
<i>Program Revenue:</i>		
Charges for Services and Sales	\$661,068	\$569,695
Operating Grants and Contributions	5,014,994	4,727,155
<i>General Revenue:</i>		
Property Taxes	4,188,324	3,877,527
Income Taxes	2,842,895	2,759,851
Unrestricted Grants and Entitlements	2,314,995	2,652,135
Unrestricted Tuition and Fees	378,246	312,531
Investment Earnings	51,009	202,050
Miscellaneous	104,743	178,353
<i>Total Revenues</i>	<u>15,556,274</u>	<u>15,279,297</u>
<b><u>Expenses:</u></b>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	4,895,848	5,903,083
Special	1,487,358	1,532,341
Vocational	409,532	412,481
Student Intervention Services	2,745	76,863
Other	144,124	0

(Continued)

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)*

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Table 2  
**Changes in Net Assets**

	<u>2011</u>	<u>2010</u>
<i>Support Services:</i>		
Pupils	699,440	658,112
Instructional Staff	688,405	617,764
Board of Education	75,869	87,093
Administration	1,031,694	1,062,549
Fiscal	472,263	569,665
Operation and Maintenance of Plant	1,367,788	1,358,569
Pupil Transportation	656,700	655,191
<i>Operation of Non-Instructional Services:</i>		
Food Service	510,773	523,230
Extracurricular Activities	614,860	578,727
Interest and Fiscal Charges	<u>524,735</u>	<u>431,221</u>
<i>Total Expenses</i>	<u>13,582,134</u>	<u>14,466,889</u>
<i>Change in Net Assets</i>	1,974,140	812,408
Net Assets – Beginning of Year	<u>28,098,937</u>	<u>27,286,529</u>
Net Assets – End of Year	<u>\$30,073,077</u>	<u>\$28,098,937</u>

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)*

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The most significant program expenses for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Administration and Pupils. These programs account for 69.81 percent of the total governmental activities. Regular Instruction, which accounts for 36.04 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 10.95 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Operation and Maintenance of Plant, which represents 10.07 percent of the total, represents costs associated with the operating and maintaining the District's facilities. Administration, which represents 7.60 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Pupils, which represents 5.15 percent of the total, represents costs associated with activities designed to assess and improve the well-being of pupils and supplement the teaching process.

As noted previously, the net assets for the governmental activities increased \$1,974,140 or 7.03 percent. This is a change from last year when net assets increased \$812,408 or 2.98 percent. Total revenues increased \$276,977 or 1.81 percent over last year and expenses decreased \$884,755 or 6.12 percent.

The District had program revenue increases of \$379,212, as well as a decrease in general revenues of \$102,235. There was one significant increase in program revenues, operating grants and contributions.

The total expenses for governmental activities decreased due to decreases in regular instruction.

The majority of the funding for the most significant programs indicated above is from operating grants and contributions, property taxes, income taxes, and grants and entitlements not restricted for specific programs. Operating grants and contributions, property taxes, income taxes and grants and entitlements not restricted for specific programs account for 92.32 percent of total revenues.

### **Governmental Activities**

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 26.92 percent and intergovernmental revenue made up 47.12 percent of the total revenue for the governmental activities in fiscal year 2011.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home were reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

The District's 0.5 mill Permanent Improvement Levy is an important piece of the financial picture. It funds not only facility maintenance and upkeep issues but also provides the bulk of the District's technology needs and a large percentage of the State's set-aside requirements for both textbooks and instructional materials and capital improvements.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)*

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2011, the District received \$4,887,668 through the State's foundation program, which represents 31.42 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 51.09 percent of governmental activities program expenses. Support services expenses make up 36.76 percent of governmental activities program expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2011 and comparisons to fiscal year 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3  
Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<i>Program Expenses:</i>				
Instruction	\$6,939,607	\$7,924,768	\$3,172,730	\$4,376,679
Support Services	4,992,159	5,008,943	4,066,602	4,152,515
Operation of Non-Instructional Services	510,773	523,230	(124,905)	(52,361)
Extracurricular Activities	614,860	578,727	266,910	261,985
Interest and Fiscal Charges	524,735	431,221	524,735	431,221
Total Expenses	<u>\$13,582,134</u>	<u>\$14,466,889</u>	<u>\$7,906,072</u>	<u>\$9,170,039</u>

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues and other financing sources of \$28,440,952 and expenditures and other uses of \$32,764,067.

Total governmental funds fund balance decreased by \$4,323,115. The decrease in fund balance for the year was most significant in the Classroom Facilities Fund. The fund balance of the Classroom Facilities Fund decreased \$3,971,776 due to capital outlay for the construction project exceeding revenue received for the year. The fund balance of the General Fund increased \$272,424 or 6.41 percent, as the result of revenues exceeding expenditures.

The District should remain stable in fiscal years 2012 through 2013. However, projections beyond fiscal year 2013 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.



**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)*

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**Budget Highlights - General Fund**

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

During the course of fiscal year 2011, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisor's flexibility for site management.

The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis revenue was \$11,975,265 representing an increase of \$105,951 or 0.88 percent from the original budget estimate of \$11,869,314. For the General Fund, the final budget basis expenditures were \$11,595,829 representing an increase of \$92,254 or 0.80 percent from the original budget expenditures of \$11,503,575.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)*

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2011, the District had \$37.8 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$13.6 million. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010.

Table 4  
**Capital Assets & Accumulated Depreciation at Year End**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
<i>Nondepreciable Capital Assets:</i>		
Land	\$595,953	\$595,953
Construction in Progress	8,513,189	2,668,247
<i>Depreciable Capital Assets:</i>		
Land Improvements	1,027,048	1,027,048
Buildings and Improvements	25,331,482	17,041,118
Furniture, Fixtures and Equipment	586,048	586,048
Vehicles	1,010,073	1,010,073
Library and Textbooks	770,652	770,652
<i>Total Capital Assets</i>	<u>37,834,445</u>	<u>23,699,139</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements	(737,792)	(716,226)
Buildings and Improvements	(10,877,011)	(10,407,908)
Furniture, Fixtures and Equipment	(517,094)	(503,940)
Vehicles	(687,375)	(615,279)
Library and Textbooks	(770,652)	(770,652)
<i>Total Accumulated Depreciation</i>	<u>(13,589,924)</u>	<u>(13,014,005)</u>
Capital Assets, Net	<u>\$24,244,521</u>	<u>\$10,685,134</u>

More detailed information pertaining to the District's capital asset activity can be found in Note 9 of the notes to the basic financial statements.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)*

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**Debt Administration**

At June 30, 2011, the District had \$11,254,990 in general obligation debt outstanding with \$705,000 due within one year. Table 5 summarizes bonds outstanding for fiscal year 2011 compared to fiscal year 2010.

Table 5  
**Outstanding Debt, Governmental Activities at Year End**

<u>Purpose</u>	<u>2011</u>	<u>2010</u>
Renovation Bonds	\$900,000	\$5,960,000
Construction Bonds	5,679,996	5,884,996
Refunding Bonds	4,674,994	0
Total	<u>\$11,254,990</u>	<u>\$11,844,996</u>

More detailed information pertaining to the District's long-term debt activity can be found in Note 14 of the notes to the basic financial statements.

**Current Issues**

Although considered a mid-wealth district, Liberty Union-Thurston Local School District is financially stable, and has been over the past several years. As indicated in the preceding financial information, the District is dependent on property taxes. Property tax revenue does not increase as a result of inflation, but can go down if the valuations decrease. The District also has two income tax issues. A 1.25% issue was passed in May, 1991 and the second issue was passed in May, 2005 and renewed May 2010. They generate about \$2,700,000 per year, this is down from a high of \$2,900,000. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning has permitted the District to provide a quality education for our students.

The State of Ohio is in an economic recession. The state biennium budget that was signed by Governor Kasich made dramatic cuts to governmental funding, especially schools. Schools also lost Federal funding (Stimulus funds) approximately 8% of basic state aid. These funds were partially replaced for FY 12 with Federal Funds – Education Jobs, but this is a one year grant. The state budget also made cuts to tangible personal property tax reimbursement (cut of up to 2% of funds received). In our case, we lost an additional \$197,000.

The Liberty Union-Thurston Local School District does not anticipate meaningful losses in revenue as a result of these changes. Based on these factors, the Board of Education and the administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

Residential growth has come to a virtual standstill because of the recession. Residential/agricultural property contributes 95 percent of the District's real estate valuation.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2011*

*(Unaudited)*

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The District voters approved an income tax levy of 0.5 percent in May 2005. This levy is to offset the lack of state funding, but with cuts in state funding the last several years and a decrease in income tax revenue, the District may still have to make cuts to balance its budget. The district's revenue has fallen further behind. This levy is in addition to the 1.25 percent income tax assessed in previous years.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information contact Dave Butler, Treasurer of Liberty Union-Thurston Local School Board of Education, 1108 S. Main Street, Baltimore, Ohio 43105.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Statement of Net Assets*

*June 30, 2011*

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	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Investments	\$17,456,393
Cash and Investments with Fiscal Agent	1,410,359
Property Taxes Receivable	4,242,932
Income Taxes Receivable	876,891
Accounts Receivable	38,602
Intergovernmental Receivable	817,831
Inventory Held for Resale	4,118
Unamortized Bond Issuance Cost	165,486
Nondepreciable Capital Assets	9,109,142
Depreciable Capital Assets, Net	<u>15,135,379</u>
<i>Total Assets</i>	<u>49,257,133</u>
<b><u>Liabilities:</u></b>	
Accounts Payable	22,639
Accrued Wages and Benefits	1,199,752
Contracts Payable	1,169,869
Intergovernmental Payable	340,324
Accrued Interest Payable	31,923
Matured Compensated Absences Payable	116,517
Deferred Revenue	3,468,962
Claims Payable	200,735
<i>Long-Term Liabilities:</i>	
Due within One Year	875,286
Due in More Than One Year	<u>11,758,049</u>
<i>Total Liabilities</i>	<u>19,184,056</u>
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	13,462,863
<i>Restricted for:</i>	
Capital Outlay	10,343,335
Debt Service	1,097,428
Other Purposes	485,657
Unrestricted	<u>4,683,794</u>
<i>Total Net Assets</i>	<u><u>\$30,073,077</u></u>

See accompanying notes to the basic financial statements.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b><u>Governmental Activities:</u></b>				
<i>Instruction:</i>				
Regular	\$4,895,848	\$200	\$2,700,756	(\$2,194,892)
Special	1,487,358	0	938,547	(548,811)
Vocational	409,532	0	88,332	(321,200)
Student Intervention Services	2,745	0	0	(2,745)
Other	144,124	0	39,042	(105,082)
<i>Support Services:</i>				
Pupils	699,440	0	5,381	(694,059)
Instructional Staff	688,405	0	6,825	(681,580)
Board of Education	75,869	0	0	(75,869)
Administration	1,031,694	17,141	263,224	(751,329)
Fiscal	472,263	0	0	(472,263)
Operation and Maintenance of Plant	1,367,788	0	309,054	(1,058,734)
Pupil Transportation	656,700	0	323,932	(332,768)
Operation of Non-Instructional Services	510,773	369,714	265,964	124,905
Extracurricular Activities	614,860	274,013	73,937	(266,910)
Interest and Fiscal Charges	524,735	0	0	(524,735)
<i>Total Governmental Activities</i>	<u>\$13,582,134</u>	<u>\$661,068</u>	<u>\$5,014,994</u>	<u>(7,906,072)</u>
<b><u>General Revenues:</u></b>				
<i>Property Taxes Levied for:</i>				
General Purposes				3,113,261
Debt Service				944,360
Capital Outlay				130,703
Income Taxes				2,842,895
Grants and Entitlements not Restricted to Specific Programs				2,314,995
Unrestricted Tuition and Fees				378,246
Investment Earnings				51,009
Miscellaneous				104,743
<i>Total General Revenues</i>				<u>9,880,212</u>
Change in Net Assets				1,974,140
<i>Net Assets at Beginning of Year</i>				<u>28,098,937</u>
<i>Net Assets at End of Year</i>				<u>\$30,073,077</u>

See accompanying notes to the basic financial statements.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Balance Sheet*

*Governmental Funds*

*June 30, 2011*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>					
Equity in Pooled Cash and Investments	\$4,997,182	\$955,493	\$8,614,082	\$2,863,910	\$17,430,667
Property Taxes Receivable	3,145,785	1,024,595	0	72,552	4,242,932
Income Taxes Receivable	876,891	0	0	0	876,891
Accounts Receivable	3,758	0	0	34,844	38,602
Intergovernmental Receivable	0	0	769,795	48,036	817,831
Interfund Receivable	2,821	0	0	0	2,821
Inventory Held for Resale	0	0	0	4,118	4,118
<i>Total Assets</i>	<u>\$9,026,437</u>	<u>\$1,980,088</u>	<u>\$9,383,877</u>	<u>\$3,023,460</u>	<u>\$23,413,862</u>
<b><u>Liabilities and Fund Balances:</u></b>					
<b><u>Liabilities:</u></b>					
Accounts Payable	\$19,126	\$0	\$0	\$3,513	\$22,639
Accrued Wages and Benefits	1,128,538	0	0	71,214	1,199,752
Contracts Payable	0	0	1,151,484	18,385	1,169,869
Intergovernmental Payable	315,164	0	0	25,160	340,324
Interfund Payable	0	0	0	2,821	2,821
Matured Compensated Absences Payable	116,517	0	0	0	116,517
Deferred Revenue	2,925,603	950,332	637,429	5,459	4,518,823
<i>Total Liabilities</i>	<u>4,504,948</u>	<u>950,332</u>	<u>1,788,913</u>	<u>126,552</u>	<u>7,370,745</u>
<b><u>Fund Balances:</u></b>					
Restricted	0	1,029,756	7,594,964	2,898,784	11,523,504
Assigned	107,696	0	0	0	107,696
Unassigned	4,413,793	0	0	(1,876)	4,411,917
<i>Total Fund Balances</i>	<u>4,521,489</u>	<u>1,029,756</u>	<u>7,594,964</u>	<u>2,896,908</u>	<u>16,043,117</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,026,437</u>	<u>\$1,980,088</u>	<u>\$9,383,877</u>	<u>\$3,023,460</u>	<u>\$23,413,862</u>

See accompanying notes to the basic financial statements.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Reconciliation of Total Governmental Fund Balances to*

*Net Assets of Governmental Activities*

*June 30, 2011*

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<b>Total Governmental Funds Balances</b>			\$16,043,117
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			24,244,521
Some of the District's receivables will be collected after fiscal year-end, however are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:			
Property taxes		412,432	
Intergovernmental		637,429	
Total			1,049,861
Unamortized issuance costs represent deferred charges which do not provide current financial resources and are therefore not reported in the funds.			165,486
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:			
General obligation bonds		(5,955,000)	
Refunding bonds		(4,210,000)	
Capital appreciation bonds		(1,089,990)	
Accretion on Capital Appreciation Bonds		(127,885)	
Accrued interest on bonds		(31,923)	
Capital leases		(33,964)	
Premiums on bonds		(542,017)	
Deferred charge on refunding		288,417	
Compensated absences		(962,896)	
Total liabilities not reported in funds			(12,665,258)
Internal service funds are used by management to charge the costs of insurance to individual funds and accounts for rotary services. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			1,235,350
<i>Net Assets of Governmental Activities</i>			<u>\$30,073,077</u>

See accompanying notes to the basic financial statements.



**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>					
Property Taxes	\$2,812,695	\$919,783	\$0	\$350,069	\$4,082,547
Income Taxes	2,842,895	0	0	0	2,842,895
Intergovernmental	5,756,383	143,032	7,939,690	1,337,947	15,177,052
Interest	18,251	0	25,960	6,798	51,009
Tuition and Fees	378,246	0	0	0	378,246
Extracurricular Activities	17,141	0	0	272,213	289,354
Gifts and Donations	37,158	0	0	57,469	94,627
Charges for Services	0	0	0	369,714	369,714
Miscellaneous	102,172	0	1,926	645	104,743
<b>Total Revenues</b>	<b>11,964,941</b>	<b>1,062,815</b>	<b>7,967,576</b>	<b>2,394,855</b>	<b>23,390,187</b>
<b><u>Expenditures:</u></b>					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	4,962,129	0	0	443,726	5,405,855
Special	1,004,217	0	0	539,217	1,543,434
Vocational	433,552	0	0	1,083	434,635
Student Intervention Services	2,745	0	0	0	2,745
Other	114,215	0	0	29,741	143,956
<i>Support Services:</i>					
Pupils	665,208	0	0	31,631	696,839
Instructional Staff	675,843	0	0	6,825	682,668
Board of Education	75,856	0	0	0	75,856
Administration	1,052,685	0	0	1,975	1,054,660
Fiscal	445,885	17,853	0	1,337	465,075
Operation and Maintenance of Plant	1,335,009	0	0	9,243	1,344,252
Pupil Transportation	584,176	0	0	0	584,176
Operation of Non-Instructional Services	0	0	0	561,310	561,310
Extracurricular Activities	300,788	0	0	297,233	598,021
Capital Outlay	16,011	0	11,939,352	1,091,728	13,047,091
<i>Debt Service:</i>					
Principal Retirement	20,361	590,000	0	0	610,361
Interest and Fiscal Charges	3,837	458,531	0	0	462,368
Bond Issuance Costs	0	82,288	0	0	82,288
<b>Total Expenditures</b>	<b>11,692,517</b>	<b>1,148,672</b>	<b>11,939,352</b>	<b>3,015,049</b>	<b>27,795,590</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>272,424</b>	<b>(85,857)</b>	<b>(3,971,776)</b>	<b>(620,194)</b>	<b>(4,405,403)</b>
<b><u>Other Financing Sources (Uses):</u></b>					
Refunding Bonds Issued	0	4,674,994	0	0	4,674,994
Premium on Refunding Bonds Issued	0	375,771	0	0	375,771
Payment to Refunded Bond Escrow Agent	0	(4,968,477)	0	0	(4,968,477)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>82,288</b>	<b>0</b>	<b>0</b>	<b>82,288</b>
<b>Net Change in Fund Balances</b>	<b>272,424</b>	<b>(3,569)</b>	<b>(3,971,776)</b>	<b>(620,194)</b>	<b>(4,323,115)</b>
<b>Fund Balances at Beginning of Year, As Restated (See Note 3)</b>	<b>4,249,065</b>	<b>1,033,325</b>	<b>11,566,740</b>	<b>3,517,102</b>	<b>20,366,232</b>
<b>Fund Balances at End of Year</b>	<b>\$4,521,489</b>	<b>\$1,029,756</b>	<b>\$7,594,964</b>	<b>\$2,896,908</b>	<b>\$16,043,117</b>

See accompanying notes to the basic financial statements.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

**Net Change in Fund Balances - Total Governmental Funds** (\$4,323,115)

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	13,559,387
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:	
Property taxes	105,777
Intergovernmental	(7,939,690)
Total	(7,833,913)
Bond issuance costs are reported as expenditures in the governmental funds when due, but in the statement of activities these costs are accrued.	77,088
Repayment of bond principal and capital lease payments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	5,285,361
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	6,521
Debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from general obligation bonds, including a premium of \$375,771 and a deferred charge of \$288,417.	(4,762,348)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
Amortize premium on bonds	10,390
Decrease in compensated absences	39,190
Accretion on capital appreciation bonds	(69,018)
Total	(19,438)
The internal service funds used by management to charge the cost of insurance to individual funds and account for rotary services are not reported in the government-wide statement of activities. Governmental expenditures and the related internal service funds revenue are eliminated. The net revenue (expense) of the internal service funds is allocated among activities.	(15,403)
<i>Change in Net Assets of Governmental Activities</i>	<u>\$1,974,140</u>

See accompanying notes to the basic financial statements.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*

*General Fund*

*For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b><u>Revenues:</u></b>				
Property Taxes	\$2,880,031	\$2,914,618	\$2,914,618	\$0
Income Taxes	2,782,986	2,812,254	2,812,254	0
Intergovernmental	5,704,828	5,756,383	5,756,383	0
Interest	33,085	17,803	18,251	448
Tuition and Fees	335,169	377,583	377,583	0
Extracurricular Activities	13,042	0	0	0
Gifts and Donations	28,486	18,488	18,488	0
Miscellaneous	91,687	78,136	78,412	276
<i>Total Revenues</i>	<u>11,869,314</u>	<u>11,975,265</u>	<u>11,975,989</u>	<u>724</u>
<b><u>Expenditures:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	4,876,744	4,851,501	4,851,496	5
Special	883,958	992,468	992,467	1
Vocational	421,766	394,032	394,032	0
Student Intervention Services	0	2,745	2,745	0
Other	72,921	113,655	113,655	0
<i>Support Services:</i>				
Pupils	696,842	652,348	652,348	0
Instructional Staff	581,303	665,522	665,522	0
Board of Education	90,327	75,855	75,855	0
Administration	1,000,607	1,018,152	1,018,152	0
Fiscal	540,796	491,924	491,924	0
Operation and Maintenance of Plant	1,348,103	1,351,178	1,351,178	0
Pupil Transportation	677,301	661,594	661,594	0
Extracurricular Activities	292,841	301,703	301,703	0
Capital Outlay	20,066	23,152	23,152	0
<i>Total Expenditures</i>	<u>11,503,575</u>	<u>11,595,829</u>	<u>11,595,823</u>	<u>6</u>
<i>Excess of Revenues Over Expenditures</i>	365,739	379,436	380,166	730
<i>Fund Balance at Beginning of Year</i>	4,491,242	4,491,242	4,491,242	0
Prior Year Encumbrances Appropriated	<u>20,896</u>	<u>20,896</u>	<u>20,896</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$4,877,877</u></u>	<u><u>\$4,891,574</u></u>	<u><u>\$4,892,304</u></u>	<u><u>\$730</u></u>

See accompanying notes to the basic financial statements.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Statement of Net Assets*

*Proprietary Funds*

*June 30, 2011*

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	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
<b><u>Assets:</u></b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Investments	\$25,726
Cash and Investments with Fiscal Agents	<u>1,410,359</u>
<i>Total Assets</i>	<u>1,436,085</u>
<b><u>Liabilities:</u></b>	
<i>Current Liabilities:</i>	
Claims Payable	<u>200,735</u>
<b><u>Net Assets:</u></b>	
Unrestricted	<u><u>\$1,235,350</u></u>

See accompanying notes to the basic financial statements.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2011*

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	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
<b><u>Operating Revenues:</u></b>	
Charges for Services	\$1,458,667
Other Revenues	<u>7,237</u>
<i>Total Operating Revenues</i>	<u>1,465,904</u>
<b><u>Operating Expenses:</u></b>	
Salaries	9,766
Fringe Benefits	1,213
Purchased Services	103,540
Materials and Supplies	7,274
Claims	<u>1,359,514</u>
<i>Total Operating Expenses</i>	<u>1,481,307</u>
<i>Change in Net Assets</i>	(15,403)
<i>Net Assets at Beginning of Year</i>	<u>1,250,753</u>
<i>Net Assets at End of Year</i>	<u><u>\$1,235,350</u></u>

See accompanying notes to the basic financial statements.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Statement of Cash Flows*

*Proprietary Funds*

*For the Fiscal Year Ended June 30, 2011*

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	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
<b><u>Increase (Decrease) in Cash and Investments:</u></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Interfund Services Provided	\$1,458,667
Other Cash Receipts	7,237
Cash Payments for Goods and Services	(110,814)
Cash Payments to Employees	(9,766)
Cash Payments for Employee Benefits	(1,213)
Cash Payments for Claims	<u>(1,411,126)</u>
<i>Net Cash used in Operating Activities</i>	<u>(67,015)</u>
<i>Net Decrease in Cash and Investments</i>	(67,015)
<i>Cash and Investments at Beginning of Year</i>	<u>1,503,100</u>
<i>Cash and Investments at End of Year</i>	<u><u>\$1,436,085</u></u>
<b><u>Reconciliation of Operating Loss</u></b>	
<b><u>to Net Cash used in Operating Activities:</u></b>	
Operating Loss	(\$15,403)
<b><u>Adjustments to Reconcile Operating Loss</u></b>	
<b><u>to Net Cash used in Operating Activities:</u></b>	
<i>Decrease in Liabilities:</i>	
Claims Payable	<u>(51,612)</u>
<i>Net Cash used in Operating Activities</i>	<u><u>(\$67,015)</u></u>

See accompanying notes to the basic financial statements.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2011*

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	<u>Agency</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Investments	<u>\$3,680,721</u>
<b><u>Liabilities:</u></b>	
Undistributed Monies	3,630,808
Due to Students	<u>49,913</u>
<i>Total Liabilities</i>	<u><u>\$3,680,721</u></u>

See accompanying notes to the basic financial statements.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

**Description of the School District**

Liberty Union-Thurston Local School District (the District) is a body politic and corporate organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District is a local school district as defined by Ohio Revised Code Section 3311.03. 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 statute and/or federal guidelines.

The District was established through the consolidation of existing land areas and school districts. It is staffed by 54 non-certificated employees, 86 certificated full-time teaching personnel and 9 administrative employees who provide services to 1,402 students and other community members.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Liberty Union-Thurston 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. The District has no component units.

The District is associated with four jointly governed organizations: the Metropolitan Educational Council, the South Central Ohio Insurance Consortium, the Fairfield County Council for Educational Collaboration and the Central Ohio Special Education Regional Resource Center. The District is also associated with one insurance purchasing pool: Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 19 and 20 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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



**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at 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 and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

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

**Governmental Funds**

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

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

The following are the District's three major governmental funds:

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

**Bond Retirement Fund**- This fund is used to account for financial resources accumulated for the payment of general long-term debt principal, interest and related costs.

**Classroom Facilities Fund**- This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

**Proprietary Fund**

The proprietary fund focus is on the determination of the change in net assets, financial position and cash flows and is classified as internal service. The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The internal service funds of the District accounts for rotary services and a self-insurance program which provides medical and dental benefits to employees.

**Fiduciary Funds**

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

**C. Measurement Focus**

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**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 generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

**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 and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Nonexchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources are collectible 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, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from income taxes is recognized in the period in which the income is earned (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at the fiscal year-end: property taxes available for advance, income taxes, grants and interest.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**Deferred Revenue**

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures**

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

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

**E. Cash and Cash Equivalents**

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

During the fiscal year 2011, the District's investments were limited to federal agency securities and commercial paper. Investments are reported at fair value which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$18,251, which includes \$8,282 assigned from other District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

**F. Inventory**

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

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

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**G. Capital Assets**

General capital assets are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	50 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5-20 years

**H. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed to services already rendered and it is probable that 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 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 classified and certified employees and administrators who are eligible to receive termination benefits based on School Employees Retirement System and State Teachers Retirement System retirement criteria.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees will be paid.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**I. Accrued Liabilities and Long-Term Liabilities**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Long-term bonds and capital leases are recognized as a liability on the fund financial statements when due.

**J. Net Assets**

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The District has \$11,926,420 of restricted net assets, of which none is restricted by enabling legislation.

**K. Fund Balance Reserves**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

**Nonspendable** – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

**Committed** – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the Board of Education – the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**Assigned** – amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Education, Superintendent and Treasurer have the authority to assign amount to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

**Unassigned** – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

**L. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the self-insurance service that is the primary activity of that fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**M. Estimates**

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

**N. Budgetary Process**

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Although the legal level of budgetary control was established at the fund level, the District has elected to present the general fund budgetary statement comparison at the fund and function level. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2011.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

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

**O. Unamortized Bond Issuance Costs/ Bond Premiums/ Accounting Gain or Loss**

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds. Using the straight-line method, which approximates the effective interest method, bond premiums are presented as an addition to the face amount of the bonds.

For bond refunding resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental funds financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 14.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE AND NET ASSETS**

**Changes in Accounting Principles**

For fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District's financial statements.



**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

**NOTE 3 –CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE AND NET ASSETS** - (Continued)

**Restatement of Prior Year’s Fund Balance and Net Assets**

During 2011, it was determined that the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds as they were previously reported.

	<u>General</u>	<u>Nonmajor Governmental Fund</u>
Fund Balances, June 30, 2010	\$4,235,553	\$4,563,939
GASB 54 Change in Fund Structure	<u>13,512</u>	<u>(13,512)</u>
Adjusted Fund Balances, June 30, 2010	<u>\$4,249,065</u>	<u>\$4,550,427</u>

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described earlier 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 and actual (budget basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and modified accrual GAAP basis are that:

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

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** - (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance</u>	
Budget Basis	\$380,166
<i>Adjustments:</i>	
Revenue Accruals	(74,529)
Expenditure Accruals	(121,891)
Funds budgeted elsewhere	1,152
Encumbrances	87,526
GAAP Basis	<u>\$272,424</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim moneys. Interim moneys are those moneys 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 accounts including passbook accounts.

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

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 5 - DEPOSITS AND INVESTMENTS** - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 5 - DEPOSITS AND INVESTMENTS** - (Continued)

At June 30, 2011, the carrying amount of all District deposits was \$17,137,314, which excludes \$1,410,359 cash with fiscal agent. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2011, \$4,438,939 of the District's bank balance of \$17,480,430 was exposed to custodial risk as discussed above while \$13,041,491 was covered by Federal Deposit Insurance. The \$4,438,939 exposed to custodial risk was collateralized with securities held by the District or its agent in the District's name.

**Investments:** As of June 30, 2011, the District had the following investments and maturities:

Investment Type	Fair Value	One Year or Less	More Than One Year
Federal Agency Securities	\$2,000,700	\$0	\$2,000,700
Commercial Paper	1,999,100	1,999,100	0
Totals	\$3,999,800	\$1,999,100	\$2,000,700

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

**Credit Risk:** The District's investments in the Federal Agency Securities was rated AAA by Standard and Poor's and Fitch Ratings, and Aaa by Moody's Investors Service. The District's investments in commercial paper was rated A+ by Fitch Ratings and P-1 by Moody's Investors Service. Ohio law requires that commercial paper maintain the highest rating provided by at least two nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

**Custodial Credit Risk:** For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities in the possession of an outside party. District policy provides that investment collateral is held by the counter party's trust department or agent, and may be held in the name of the District or not.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. Federal Agency Securities comprised 50.02% of the District's investments and commercial paper comprised 49.98% of the District's investments. The District's policy does not specifically address concentration of credit risk.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 6 - SCHOOL INCOME TAX**

The District currently benefits from a 1.75% income tax which is assessed on all residents of the District. In the year ended June 30, 2011, the income tax generated \$2,842,895 in revenue. The District apportions all the proceeds to the General Fund.

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property tax) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The District receives property taxes from Fairfield County. The Fairfield 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, 2011 are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

**NOTE 7 - PROPERTY TAXES** - (Continued)

Accrued property taxes receivable represents the June 2011 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2011. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2011 was \$299,904 and is recognized as revenue. Of this total amount, \$220,182 was available to the General Fund \$5,459 was available to the Permanent Improvement Nonmajor Governmental Fund and \$74,263 was available for the Bond Retirement Debt Service Fund.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$154,727,450	96.37%	\$155,596,620	96.26%
Public Utility Personal	5,552,560	3.46%	6,051,440	3.74%
Tangible Personal Property	274,310	0.17%	0	0.00%
Total Assessed Value	<u>\$160,554,320</u>	<u>100.00%</u>	<u>\$161,648,060</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$45.50		\$45.50	

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2011 consisted of property taxes, income taxes, grants and accounts receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of Intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Classroom Facilities Fund	\$769,795
<i>Nonmajor Governmental Funds:</i>	
Race to the Top Grant	1,893
Title I	21,215
Improving Teacher Quality Grant	24,928
Total Nonmajor Governmental Funds	<u>48,036</u>
Total Intergovernmental Receivable	<u>\$817,831</u>

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

**NOTE 9 - CAPITAL ASSETS**

Capital asset governmental activity for the fiscal year ended June 30, 2011 was as follows:

<u>Asset Category</u>	<u>Balance at July 1, 2010</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance at June 30, 2011</u>
Nondepreciable Capital Assets:				
Land	\$595,953	\$0	\$0	\$595,953
Construction in Progress	2,668,247	5,844,942	0	8,513,189
Total Nondepreciable Capital Assets	3,264,200	5,844,942	0	9,109,142
Depreciable Capital Assets:				
Land Improvements	1,027,048	0	0	1,027,048
Buildings and Improvements	17,041,118	8,290,364	0	25,331,482
Furniture, Fixtures and Equipment	586,048	0	0	586,048
Vehicles	1,010,073	0	0	1,010,073
Library and Textbooks	770,652	0	0	770,652
Total Depreciable Capital Assets	20,434,939	8,290,364	0	28,725,303
Total Capital Assets	23,699,139	14,135,306	0	37,834,445
Accumulated Depreciation:				
Land Improvements	(716,226)	(21,566)	0	(737,792)
Buildings and Improvements	(10,407,908)	(469,103)	0	(10,877,011)
Furniture, Fixtures and Equipment	(503,940)	(13,154)	0	(517,094)
Vehicles	(615,279)	(72,096)	0	(687,375)
Library and Textbooks	(770,652)	0	0	(770,652)
Total Accumulated Depreciation	(13,014,005)	(575,919)	0	(13,589,924)
Total Net Capital Assets	\$10,685,134	\$13,559,387	\$0	\$24,244,521

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 9 - CAPITAL ASSETS** - (Continued)

Depreciation expense was charged to governmental functions as follow:

Instruction:	
Regular	\$481,697
Vocational	269
Support Services:	
Instructional Staff	271
Administration	1,903
Operation and Maintenance of Plant	855
Pupil Transportation	72,095
Operation of Non-Instructional Services	6,446
Extracurricular Activities	12,383
	<hr/>
Total Depreciation Expense	<u><u>\$575,919</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 2011, the District contracted with Ohio Casualty for property and fleet insurance, liability insurance, and public officials bonds. Coverages provided are as follows:

Building/Contents (\$1,000 deductible)	\$28,121,617
Inland Marine (\$1,000 deductible)	28,121,617
Automobile Liability (\$250 deductible)	
Per Occurance	5,000
Per Accident	1,000,000
General Liability:	
Per Occurance	1,000,000
Aggregate Limit	3,000,000
Public Officials Bonds:	
Treasurer	25,000
Superintendent/Board Member (each)	50,000



**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 10 - RISK MANAGEMENT** - (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 2011, the District participated in the Ohio School Boards Association Worker's Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District has established an internal service "self-insurance" fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs. This self-insurance fund was established July, 1992 for the purpose of accumulating balances sufficient to self-insure basic medical, dental, vision, and prescription drug coverage and permit excess umbrella coverage for claims over a pre-determined level. Amounts are paid into this fund from the General Fund, Food Service Nonmajor Governmental Fund, and certain Nonmajor Governmental Funds (Grants). Claims payments are made on an as-incurred basis, thus no "reserve" remains with the insurance carrier. Effective July 1, 1996, the District terminated the independent carrier for self-insurance for basic medical, and prescription drug coverage and joined the South Central Ohio Insurance Consortium. The District continues to maintain an independent self-insurance fund for dental coverage.

The South Central Ohio Insurance Consortium was established to accumulate balances sufficient to self-insure basic medical and prescription drug coverage and permit excess umbrella coverage for claims over a predetermined level. The Board's share and the employees' share of premium contributions are determined by the negotiated agreement for certificated employees and by Board action for administrators and classified employees.

Premiums are paid to the South Central Ohio Insurance Consortium Fund from the Self Insurance Fund of the District. The cash balance with the fiscal agent at June 30, 2011, was \$1,410,359. Claims payments are made on an as-incurred basis by the third party administrator, with the balance of contributions remaining with the Fiscal Agent of the Consortium.

The member districts are self insured for medical, dental and pharmacy benefits. The risk for medical, dental and pharmacy benefits remains with the member districts. The claims payable will be reported for medical, dental and pharmacy claims as of June 30, 2011, and cash with fiscal agent for the balance of funds held by the Consortium that covers medical, dental and pharmacy claims will be reported.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 10 - RISK MANAGEMENT** - (Continued)

The claims liability of \$200,735 reported at June 30, 2011 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 as amended by GASB 30 which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2010	\$244,397	\$1,140,412	\$1,132,462	\$252,347
2011	252,347	1,359,514	1,411,126	200,735

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute, Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.81 percent of the annual covered salary was the portion used to fund pension obligations and death benefits respectively. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$215,904, \$273,336, and \$158,215, respectively; 40.50 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009. \$128,471 representing the unpaid contribution for fiscal year 2011, is recorded as a liability in the appropriate funds.

**State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$786,311, \$755,640, and \$694,449, respectively; 84.15 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009. \$124,633 representing the unpaid contribution for fiscal year 2011, is recorded as a liability in the appropriate funds.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, no members of the Board of Education have elected Social Security.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**Plan Description** - Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or the combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums.

The State Teachers Retirement Board has statutory authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

STRS Ohio issues a stand-alone financial report that includes financial information for the health care plan. Interested parties can view the most recent Comprehensive Annual Financial Report at [www.strsoh.org](http://www.strsoh.org) or obtain a copy by calling (888)227-7877.

**Funding Policy** - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent contribution is the maximum rate allowed under Ohio law.

All STRS benefit recipients pay a portion of the health care cost in the form of a monthly premium. The District's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$60,485, \$58,126, and \$53,419 respectively; 84.15 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for years 2010 and 2009.

**Health Care Plan** - Ohio law authorizes SERS Ohio to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code (ORC) postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

**The Medicare B plan** - reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation 0.76 percent. Liberty Union Local School District's contributions for the years ended June 30, 2011, 2010 and 2009 were, \$13,894, \$16,255, \$1,688, respectively, which equaled the required contributions each year.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 12 - POSTEMPLOYMENT BENEFITS** - (Continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. Liberty Union Local School District's contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$72,450, \$52,736, and \$91,808, respectively; 40.50 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

**NOTE 13 - EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Administrators and support personnel who are under a full year contract (11 or 12 months) are also eligible for vacation time. These employees earn twelve to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to employees upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for aides and all other classified employees and 250 for certified employees.

Retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any teacher or administrator receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-third of all accumulated sick leave credited to that employee up to 65 days. Classified employees receive retirement severance pay equivalent to forty percent of all accumulated sick leave credited to that employee up to 100 days. Classified employees receive a bonus of 20 days severance pay upon reaching 25 years of service. In addition, bargaining unit members will be eligible to receive an additional twenty (20) days of severance when the employee reaches 25 years of service with the District, and an additional twenty (20) days of severance when the employee reaches 30 years of experience.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 13 - EMPLOYEE BENEFITS** - (Continued)

**Health and Prescription Drug Insurance**

In July, 1996, the District joined the South Central Ohio Insurance Consortium (SCOIC) to self insure its medical claims. SCOIC currently includes eight member school districts and governmental entities. The District serves as the fiscal agent for the consortium and records the activity of the consortium in an agency fund. Contributions are determined by the consortium's board of directors and are remitted monthly to the District as the consortium's fiscal agent and incurred claims are paid. Thus actual cash "reserves" are held by the District as fiscal agent.

Claim liabilities for the consortium at June 30, 2011 are reported by the individual member entities. Members include the following school districts and governmental entities:

Amanda Clearcreek Local School District  
Berne Union Local School District  
Bloom-Carroll Local School District  
Canal Winchester Local School District  
Fairfield Local School District  
Fairfield Union Local School District  
Fairfield County Educational Service Center  
Fairfield County Board of Mental Retardation  
Lancaster City  
Lancaster City School District  
Liberty Union-Thurston Local School District  
Logan Hocking Local School District  
Miami Trace Local School District  
Washington Court House City School District

Employee Benefits Management Company (EBMC), a third party administrator, services all health/medical claims submitted by employees. An excess coverage insurance policy covers individual claims for the District in excess of \$100,000 and \$3,000,000 lifetime maximum, per employee consortium wide.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

**NOTE 14 - LONG-TERM LIABILITIES**

The changes in the District's long-term liabilities during fiscal year 2011 were as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding at July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding at June 30, 2011</u>	<u>Amount Due In One Year</u>
<i>Governmental Activities:</i>							
Advance Refunding							
Bonds	2011	3.14%	\$0	\$4,210,000	\$0	\$4,210,000	\$55,000
Premium on Bonds			0	375,771	0	375,771	37,577
Deferred Charges on Bonds			0	(293,477)	5,060	(288,417)	0
Capital Appreciation Bonds			0	464,994	0	464,994	0
Accretion on Refunding Bonds			0	23,273	0	23,273	0
Renovation Bonds	2002	4.35%	5,960,000	0	(5,060,000)	900,000	435,000
Construction Bonds							
Term Bonds	2009	4.27%	5,260,000	0	(205,000)	5,055,000	215,000
Premium on Bonds			176,636	0	(10,390)	166,246	10,391
Capital Appreciation Bonds			624,996	0	0	624,996	0
Accretion on Capital Appreciation Bonds			58,867	45,745	0	104,612	0
Total General Obligation Debt			12,080,499	4,826,306	(5,270,330)	11,636,475	752,968
Compensated Absences Payable			1,002,086	294,272	(333,462)	962,896	98,120
Capital Leases Payable			54,325	0	(20,361)	33,964	24,198
Total Governmental Activities Long-Term Obligations			<u>\$13,136,910</u>	<u>\$5,120,578</u>	<u>(\$5,624,153)</u>	<u>\$12,633,335</u>	<u>\$875,286</u>

In December 2002, the District issued general obligation bonds in the amount of \$7,900,000 for the renovation of the elementary school. The bonds were issued at an average interest rate of 4.35% and mature in December 2020. These bonds will be paid from the Bond Retirement Debt Service Fund using property tax revenues.

On September 10, 2009, the District issued general obligation bonds of \$6,000,000 with an interest rate of 4.27 percent to pay off the Bond Anticipation Note. The general obligation bonds were issued as a result of the District being approved for the school facilities funding through the State Department of Education. The District issued the general obligation bonds to provide a partial cash match to the school facilities funding. As a requirement of the school facilities funding program, the District passed a 2.80 mill levy. Of the 2.80 mill levy, 2.3 mills is used for the retirement of the bonds that were issued and are in effect for eighteen years. The remaining .5 mill is used for repairs and maintenance of the facility. Of these bond proceeds \$760,896 was unspent at June 30, 2011.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

**NOTE 14 - LONG-TERM LIABILITIES** - (Continued)

The capital appreciation bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity. The capital appreciation bonds will mature in fiscal years 2018, 2019, and 2020. The maturity of the bonds is \$1,225,000. For fiscal year 2011, \$45,745 was accreted on the capital appreciation bonds.

In June 2011, the District issued \$4,674,994 of voted general obligation bonds for the advance refunding of \$4,675,000 in the 2002 series bonds. The \$375,771 premium on the issuance of the refunding bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remaining life of 10 years. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in an economic gain of \$484,989 and a reduction of \$191,506 in future debt service payments. The bonds were issued for a 10 year period, with final maturity December 1, 2020. The refunding bonds will be retired from the Bond Retirement Debt Service Fund.

The capital appreciation bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity. The capital appreciation bonds will mature in fiscal years 2019 and 2020. The maturity of the bonds is \$1,095,000. For fiscal year 2011, \$23,273 was accreted on the capital appreciation bonds.

Compensated absences will be paid from the fund from which the employee is paid which is primarily the General Fund. The capital leases payable will be paid from the General Fund.

The District's overall legal debt margin was \$4,323,091 unvoted debt margin of \$161,648 at June 30, 2011.

The annual requirements to retire the general obligation refunding, renovation bonds, and construction bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Renovation Bonds		Construction Bonds			Advance Refunding Bonds		
	Principal	Interest	Term Bonds Principal	Capital Appreciation Bonds Principal	Interest	Principal	Capital Appreciation Bonds Principal	Interest
2012	\$435,000	\$240,959	\$215,000	\$0	\$196,891	\$55,000	\$0	\$57,794
2013	465,000	224,472	230,000	0	190,216	110,000	0	102,488
2014	0	0	280,000	0	182,216	610,000	0	100,287
2015	0	0	295,000	0	172,504	655,000	0	88,088
2016	0	0	310,000	0	161,916	665,000	0	74,987
2017-2021	0	0	795,000	624,996	1,310,779	2,115,000	464,994	754,681
2022-2026	0	0	2,625,000	0	365,657	0	0	0
2027	0	0	305,000	0	6,863	0	0	0
<b>Total Debt Payments</b>	<b>\$900,000</b>	<b>\$465,431</b>	<b>\$5,055,000</b>	<b>\$624,996</b>	<b>\$2,587,042</b>	<b>4,210,000</b>	<b>\$464,994</b>	<b>\$1,178,325</b>

The \$33,964 of outstanding capital leases payable relates to the lease/purchase of copiers.



**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

**NOTE 15 - CAPITAL LEASES**

The following is a schedule of the future minimum lease payment required under the capital leases and the present value of the minimum lease payment as of June 30, 2011:

Fiscal Year Ending June 30,	Capital Leases Payments
2012	\$24,198
2013	12,098
Total Future Minimum Lease Payments	36,296
Amount Representing Interest	(2,332)
Present Value of Future Minimum Lease Payments	\$33,964

**NOTE 16 - FUND BALANCES**

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

	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
<i>Restricted:</i>					
<i>Special Revenues:</i>					
Extracurricular	\$0	\$0	\$0	\$109,791	\$109,791
Facilities Maintenance	0	0	0	499,653	499,653
Food Service	0	0	0	168,028	168,028
Federal Grants	0	0	0	17,422	17,422
Debt Services	0	1,029,756	0	0	1,029,756
Capital Projects	0	0	7,594,964	2,103,890	9,698,854
<i>Assigned:</i>					
Encumbrances	87,526	0	0	0	87,526
Public School Support	20,170	0	0	0	20,170
<i>Unassigned</i>	4,413,793	0	0	(1,876)	4,411,917
Total Fund Balances	\$4,521,489	1,029,756	\$7,594,964	\$2,896,908	\$16,043,117

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

**NOTE 17 - STATUTORY SET-ASIDES**

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition
Set-Aside Reserve Balance as of June 30, 2010	(\$1,301,367)	\$0
Current Year Set-Aside Requirement	215,407	215,407
Qualifying Disbursements	(409,804)	(485,866)
Totals	(\$1,495,764)	(\$270,459)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0	\$0
Set-Aside Reserve Balance as of June 30, 2011	\$0	\$0

The District had qualifying disbursements during the fiscal year that reduced the set-aside amounts below zero. Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for capital improvements, this amount may not be used to reduce the set-aside requirement for future fiscal years and therefore is not presented as being carried forward to future fiscal years.

**NOTE 18 - ENCUMBRANCE COMMITMENTS**

At June 30, 2011, the District had encumbrance commitments in the Governmental Funds as follows:

Major Funds

General	\$88,763
Classroom Facilities	3,251,008

Nonmajor Funds

Food Service	540
Building Fund	645,563
Extracurriculars	7,450
Race to the Top	441
IDEA Part B Grant	25,000
Title II A Grant	16,145
Total Nonmajor Funds	695,139

Total Encumbrances	\$4,034,910
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**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 19 - JOINTLY GOVERNED ORGANIZATION**

**Metropolitan Educational Council**

The Metropolitan Educational Council (MEC) is a not-for-profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District.

**South Central Ohio Insurance Consortium**

The South Central Ohio Insurance Consortium (SCOIC) is a Regional Council of Governments organized under Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District serves as the fiscal agent for the SCOIC. The District does not have an ongoing financial interest in or ongoing financial responsibility for the SCOIC other than medical and dental claims paid on behalf of the District for its employees.

**Fairfield County Council for Education Collaboration**

The Fairfield County Council of Educational Collaboration (FCCEC) is a not-for-profit Council of Governments owned and operated by certain Boards of Education and institutions of higher education within Fairfield County. The purpose of the FCCEC is to bring together the public school systems and the public institution for higher education in Fairfield County so they can collectively devise and provide for enhanced educational opportunities for the students and citizens of the community. The areas of interest that may be addressed by the FCCEC include, but are not limited to, student programming, school management issues, and any other collaborative projects deemed appropriate by the governing body of the FCCEC. The FCCEC is not dependent upon the continued participation of the District and the District does not maintain any equity interest in or financial responsibility for the FCCEC.

**Central Ohio Special Education Regional Resource Center**

The Central Ohio Special Education Regional Resource Center (COSERC) is a not-for-profit Council of Governments of various school districts in Central Ohio. The District participates in services that assist the District in complying with Mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the District. COSERC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for COSERC.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**NOTE 20 - INSURANCE PURCHASING POOL**

**Ohio School Boards Association Worker's Compensation Group Rating Program**

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

**NOTE 21 - CONTINGENCIES**

**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, 2011.

**Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

**NOTE 22 - CONTRACTUAL COMMITMENTS**

As of June 30, 2011, the District had contractual commitments related to the construction of new facilities. The amount for each contractor is as follows:

<u>Contractor</u>	<u>Purchase Commitments</u>	<u>Amounts Paid as of June 30, 2011</u>	<u>Amounts Remaining on Contracts</u>
Feinkopf, Macioce, Schappa	\$1,282,300	\$1,260,115	\$22,185
Stan Eng.	86,829	37,582	49,247
Four Seasons	16,552	0	16,552
Stover & Turner Excavating	300,681	272,330	28,351
Smoot	1,246,732	839,764	406,968
Robertson Construction	2,063,226	1,995,226	68,000
Oakland Plumbing Co.	270,967	260,131	10,836
Gutridge Plumbing, Inc.	1,060,858	1,005,623	55,235
TP Mechanical Contractors	97,886	79,251	18,635
City Electric Service	973,377	949,214	24,163
Jeffrey Carr Construction	4,857,021	3,344,920	1,512,101
Crawford Mechanical Services	1,797,428	1,476,985	320,443
Karr Contracting, Inc.	85,800	64,201	21,599
X-F Construction Service, Inc.	880,436	624,423	256,013
Breckenridge Kitchen Equipment	224,465	81,617	142,848
Converse Electric, Inc.	1,555,130	1,026,566	528,564
Layton, Inc.	210,087	0	210,087
Miscellaneous Contractors	890,557	815,066	75,491
Total	<u>\$17,900,332</u>	<u>\$14,133,014</u>	<u>\$3,767,318</u>

## **SUPPLEMENTARY DATA**

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<i>Child Nutrition Cluster:</i>				
(D) (E) School Breakfast Program	10.553	2011	\$ 34,255	\$ 34,255
(C) (D) National School Lunch Program - Food Donation	10.555	2011	80,931	80,931
(D) (E) National School Lunch Program	10.555	2011	146,323	146,323
<b>Total National School Lunch Program</b>			<b>227,254</b>	<b>227,254</b>
<b>Total U.S. Department of Agriculture and Child Nutrition Cluster</b>			<b>261,509</b>	<b>261,509</b>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<i>Title I Grant Cluster:</i>				
(F) (G) Title I Grants to Local Educational Agencies	84.010	2010	4,959	17,330
(F) (G) Title I Grants to Local Educational Agencies	84.010	2011	109,913	102,552
<b>Total Title I Grants to Local Educational Agencies</b>			<b>114,872</b>	<b>119,882</b>
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	2,333	9,334
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	-	6,716
<b>Total ARRA Title I Grants to Local Educational Agencies, Recovery Act</b>			<b>2,333</b>	<b>16,050</b>
<b>Total Title I Grant Cluster</b>			<b>117,205</b>	<b>135,932</b>
Special Education Grants to States	84.027	2011	326,046	326,046
Educational Technology State Grants	84.318	2011	381	381
(G) Improving Teacher Quality State Grants	84.367	2010	3,417	6,453
(G) Improving Teacher Quality State Grants	84.367	2011	109,322	99,245
<b>Total Improving Teacher Quality State Grants</b>			<b>112,739</b>	<b>105,698</b>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	430,656	430,656
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top, Recovery Act	84.395	2011	5,890	7,783
<b>Total U.S. Department of Education</b>			<b>992,917</b>	<b>1,006,496</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 1,254,426</b>	<b>\$ 1,268,005</b>

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:**

- (A) OAKS did not assign pass through numbers for fiscal year 2011.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market value.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following transfers:

Program Title	CFDA Grant	Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2010	\$ 3,244	
Title I Grants to Local Educational Agencies	84.010	2011		\$ 3,244
Improving Teacher Quality State Grants	84.367	2010	4,110	
Improving Teacher Quality State Grants	84.367	2011		4,110
<b>Total</b>			<b>\$ 7,354</b>	<b>\$ 7,354</b>



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**Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Liberty Union-Thurston Local School District  
1108 S. Main Street  
Baltimore, Ohio 43105

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty Union-Thurston Local School District, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Liberty Union-Thurston Local School District's basic financial statements and have issued our report thereon dated February 27, 2012. We noted that the Liberty Union-Thurston Local School District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting described in the accompanying schedule of findings and responses that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-LUTLSD-001 to be a significant deficiency. 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.



Board of Education  
Liberty Union-Thurston Local School District

Compliance and Other Matters

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

The Liberty Union-Thurston Local School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Liberty Union-Thurston Local School District's response and, accordingly, we express no opinion on it.

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



Julian & Grube, Inc.  
February 27, 2012



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**Independent Accountants' Report on Compliance With Requirements Applicable to Each  
Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

Liberty Union-Thurston Local School District  
1108 S. Main Street  
Baltimore, Ohio 43105

To the Board of Education:

Compliance

We have audited the compliance of the Liberty Union-Thurston Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Liberty Union-Thurston Local School District's major federal program for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Liberty Union-Thurston Local School District's major federal program. The Liberty Union-Thurston Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Liberty Union-Thurston Local School District's compliance based on our audit.

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

In our opinion, the Liberty Union-Thurston Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

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

Board of Education  
Liberty Union-Thurston Local School District

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

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
February 27, 2012

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2011**

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

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2011**

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

Finding Number

2011-LUTLSD-001

**Significant Deficiency - Financial Statement Presentation**

Accurate financial reporting is an important part of the District's overall purpose. Financial reporting requires internal controls in place to help ensure accuracy of reporting.

The following adjustments were necessary to properly state the District's financial statements for the fiscal year ended June 30, 2011:

**Aggregate Remaining:**

An adjustment was necessary to decrease cash and investments with fiscal agents in the amount of \$298,035 and increase claims expense by \$298,035 to properly state the cash balance and claims expense at fiscal year end.

**Governmental Activities:**

An adjustment was necessary to decrease long term liabilities due in more than one year and interest expense in the amount of \$265,144 to properly record the District's advance refunding.

The audited financial statements have been adjusted for the misstatements above. In addition, there were numerous modifications to the required note disclosures, such as recalculation of GASB 40 disclosures and proper presentation of advance refunding disclosures.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management.

We recommend that the District implement control procedures that enable management to prevent or detect and timely correct potential misstatements in the financial statements and footnotes. This will result in more accurate financial reporting of the District's activities.

Client's Response: The District will work with J. L. Uhrig and Associates, Certified Public Accountant and Management Consultants to correct this in the future.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



## **Julian & Grube, Inc.**

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### **Independent Accountants' Report on Applying Agreed-Upon Procedures**

Liberty Union-Thurston Local School District  
Fairfield County  
1108 S. Main Street  
Baltimore, Ohio 43105

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 procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Liberty Union-Thurston Local School District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

- We noted the Board amended its anti-harassment policy at its meeting on May 10, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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.

Julian & Grube, Inc.  
February 27, 2012



# Dave Yost • Auditor of State

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

FAIRFIELD 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  
MAY 3, 2012