



**Mary Taylor, CPA**  
Auditor of State



**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Liberty Center Local School District  
Henry County  
P.O. Box 434  
Liberty Center, Ohio 43532-0434

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

March 13, 2009

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

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

**Financial Highlights**

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets increased \$1,287,058.
- General revenues accounted for \$10,401,412, or 77 percent of all revenues. Program specific revenues in the form of, charges for services, operating grants and contributions and capital grants accounted for \$3,095,931 or 23 percent of total revenues of \$13,497,343.
- The District's only major fund is the General Fund.
- The General Fund had \$11,911,549 in revenues and \$10,634,950 in expenditures. The General Fund's balance increased \$1,276,599 from the prior fiscal year. This change is insignificant and an indication that the financial condition of the District has stabilized.

**Using the Basic Financial Statements**

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

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

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

For the District, the General Fund is by far the most significant fund. The General Fund is the only major fund.

**Reporting the District as a Whole**

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

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

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

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

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

***Fund Financial Statements***

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

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

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

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



**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2008 compared to fiscal year 2007.

**Table 1  
Net Assets  
Governmental Activities**

	<b>2008</b>	<b>2007</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$9,251,618	\$8,102,146
Capital Assets, Net	7,288,286	7,544,790
Total Assets	<u>16,539,904</u>	<u>15,646,936</u>
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	5,553,221	5,786,959
Long-Term Liabilities	2,928,505	3,088,857
Total Liabilities	<u>8,481,726</u>	<u>8,875,816</u>
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	5,045,284	5,112,389
Restricted	704,307	625,461
Unrestricted	2,308,587	1,033,270
Total	<u>\$8,058,178</u>	<u>\$6,771,120</u>

The change in net assets from fiscal year 2007 to fiscal year 2008 was positive.

Table 2 reflects the changes in net assets for fiscal year 2008 compared to fiscal year 2007.

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

	<b>2008</b>	<b>2007</b>
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$1,659,937	\$1,284,998
Operating Grants, Contributions and Interest	1,435,994	1,271,509
Total Program Revenues	<u>3,095,931</u>	<u>2,556,507</u>
General Revenues:		
Property Taxes	2,732,329	2,586,433
Income Taxes	2,177,536	1,445,061
Grants and Entitlements	5,217,428	5,152,733
Investment Earnings	145,572	141,052
Gifts and Donations	67,646	56,830
Miscellaneous	60,901	27,077
Total General Revenues	<u>10,401,412</u>	<u>9,409,186</u>
Total Revenues	<u>13,497,343</u>	<u>11,965,693</u>

(Continued)

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

<b><u>Expenses:</u></b>		
Instruction	7,133,158	6,789,159
Support Services:		
Pupils	685,768	592,013
Instructional Staff	466,141	468,337
Board of Education	44,651	44,738
Administration	767,306	762,605
Fiscal	300,566	276,161
Operation and Maintenance of Plant	827,897	853,814
Pupil Transportation	582,466	495,429
Central	263,672	159,991
Non-Instructional	478,343	495,003
Extracurricular Activities	520,891	521,715
Capital Outlay	24,297	
Interest and Fiscal Charges	115,129	120,534
Total Expenses	<u>12,210,285</u>	<u>11,579,499</u>
Change in Net Assets	<u>\$1,287,058</u>	<u>\$386,194</u>

The increase in income tax revenue was the result of the new ¾% income tax collection than began in January 2007. There was also an increase in charges for services. The changes in expenses were attributed to the increase in wages and benefits.

***Governmental Activities***

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

**Table 3  
Governmental Activities**

	<b>Total Cost of Services 2008</b>	<b>Net Cost of Services 2008</b>	<b>Total Cost of Services 2007</b>	<b>Net Cost of Services 2007</b>
Instruction	\$7,133,158	\$4,879,135	\$6,789,159	\$4,932,553
Support Services:				
Pupils	685,768	561,424	592,013	590,446
Instructional Staff	466,141	443,175	468,337	454,728
Board of Education	44,651	44,651	44,738	44,738
Administration	767,306	756,206	762,605	752,091
Fiscal	300,566	300,566	276,161	276,161
Operation and Maintenance of Plant	827,897	827,897	853,814	853,814
Pupil Transportation	582,466	560,985	495,429	480,646
Central	263,672	254,672	159,991	150,991
Non-Instructional	478,343	(833)	495,003	22,312
Extracurricular Activities	520,891	347,050	521,715	343,978
Capital Outlay	24,297	24,297		
Interest and Fiscal Charges	115,129	115,129	120,534	120,534
<b>Total Expenses</b>	<b>\$12,210,285</b>	<b>\$9,114,354</b>	<b>\$11,579,499</b>	<b>\$9,022,992</b>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 68 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 75 percent. The remaining 25 percent is derived from tuition and fees, specific grants, and donations.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's only major governmental fund is the General Fund. Total governmental funds had revenues of \$13,457,792 and expenditures of \$12,101,036. The net positive change of \$1,356,756 in fund balance for the year indicates that the District was able to meet current costs.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2008, the District amended its General Fund budget as needed.

Final expenditures and other financing uses were budgeted at \$11,179,184, while actual expenditures and other financing uses were \$10,904,886. The \$274,298 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2008, the District had \$7,288,286 invested in capital assets (net of accumulated depreciation) for governmental activities.

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

***Debt***

At June 30, 2008, the District had \$2,243,002 in school improvement general obligation bonds for building improvements. The bonds were originally issued in 1994 for a twenty-five year period. In 2003, the bonds were refunded and issued with final maturity on December 1, 2017. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2008, the District's overall legal debt margin was \$7,366,314, with an un-voted debt margin of \$106,770.

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

**Current Issues**

Liberty Center is a small rural community of 6,000 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a major influence on the economy.

The District is currently operating in the first year of the state biennium budget. 50.5 percent of District revenue sources are from local funds, 45.7 percent is from state funds and the remaining 3.8 percent is from federal funds. The total expenditure per pupil was calculated at \$10,334 for fiscal year 2008. This cost per pupil is an increase from fiscal year 2007.

The financial position of the District is beginning to improve. The District placed an additional ½% income tax issue for operating funds on the November 8, 2006 ballot. This issue failed. The District then began a series of budget reductions, including staff reductions, some taking place in fiscal year 2006 and some taking effect in fiscal year 2007. Altogether the District reduced expenditures by \$750,000. The District then placed the income tax issue back on the ballot, this time for ¾% on the May 2, 2006 ballot. This issue passed and collection began in January, 2007. This income tax is for a continuing period of time and will generate approximately \$700,000 annually. However, like all school districts in Ohio, the District will be faced with financial challenges to state funding, the long-term effects of public utility deregulation, and the reduction of personal property for business inventory. With the budget reductions and the new income tax revenue the District should be able to maintain fiscal stability into the future even with these challenges at the state level.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Carla Rice, Treasurer, Liberty Center Local School District, PO Box 434, Liberty Center, Ohio 43532-0434.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,316,292
Materials and Supplies Inventory	37,298
Accrued Interest Receivable	13,530
Accounts Receivable	35,421
Intergovernmental Receivable	3,101
Taxes Receivable	4,702,795
Income Taxes Receivable	1,044,279
Unamortized Bond Issue Costs	98,902
Capital Assets:	
Non-Depreciable Capital Assets	1,014,877
Depreciable Capital Assets, net	6,273,409
Total Assets	<u>16,539,904</u>
<b>Liabilities:</b>	
Accounts Payable	42,867
Accrued Wages and Benefits	920,221
Intergovernmental Payable	204,686
Deferred Revenue	4,385,447
Long-Term Liabilities:	
Due Within One Year	329,749
Due in More Than One Year	2,598,756
Total Liabilities	<u>8,481,726</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	5,045,284
Restricted for Debt Service	295,205
Restricted for Capital Outlay	327,057
Restricted for Other Purposes	82,045
Unrestricted	2,308,587
Total Net Assets	<u><u>\$8,058,178</u></u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$4,464,371	\$1,184,333	\$152,845	(\$3,127,193)
Special	2,061,003		840,119	(1,220,884)
Vocational	166,780		76,726	(90,054)
Other	441,004			(441,004)
Support Services:				
Pupils	685,768		124,344	(561,424)
Instructional Staff	466,141		22,966	(443,175)
Board of Education	44,651			(44,651)
Administration	767,306	6,100	5,000	(756,206)
Fiscal	300,566			(300,566)
Operation and Maintenance of Plant	827,897			(827,897)
Pupil Transportation	582,466		21,481	(560,985)
Central	263,672		9,000	(254,672)
Operation of Non-Instructional Services	478,343	295,663	183,513	833
Extracurricular Activities	520,891	173,841		(347,050)
Capital Outlay	24,297			(24,297)
Debt Service:				
Interest and Fiscal Charges	115,129			(115,129)
<b>Totals</b>	<b>\$12,210,285</b>	<b>\$1,659,937</b>	<b>\$1,435,994</b>	<b>(9,114,354)</b>
<b>General Revenues:</b>				
Taxes:				
Property Taxes, Levied for General Purposes				2,323,775
Property Taxes, Levied for Capital Outlay				120,719
Property Taxes, Levied for Debt Service				287,835
Income Taxes				2,177,536
Grants and Entitlements not Restricted to Specific Programs				5,217,428
Gifts and Donations				67,646
Investment Earnings				145,572
Miscellaneous				60,901
<b>Total General Revenues</b>				<b>10,401,412</b>
<b>Change in Net Assets</b>				<b>1,287,058</b>
<b>Net Assets Beginning of Year</b>				<b>6,771,120</b>
<b>Net Assets End of Year</b>				<b>\$8,058,178</b>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$2,619,487	\$696,805	\$3,316,292
Materials and Supplies Inventory	22,301	14,997	37,298
Accrued Interest Receivable	13,530		13,530
Accounts Receivable	35,217	204	35,421
Intergovernmental Receivable		3,101	3,101
Taxes Receivable	4,288,876	413,919	4,702,795
Income Taxes Receivable	1,044,279		1,044,279
Total Assets	<u>\$8,023,690</u>	<u>\$1,129,026</u>	<u>\$9,152,716</u>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts Payable	38,678	4,189	42,867
Accrued Wages and Benefits	888,793	31,428	920,221
Intergovernmental Payable	188,196	16,490	204,686
Matured Compensated Absences Payable	39,181		39,181
Deferred Revenue	4,218,226	384,320	4,602,546
	<u>5,373,074</u>	<u>436,427</u>	<u>5,809,501</u>
<b>Fund Balances:</b>			
Reserved:			
Reserved for Encumbrances	279,639	109,159	388,798
Reserved for Property Taxes	163,117	30,761	193,878
Unreserved, Undesignated, Reported in:			
General Fund	2,207,860		2,207,860
Special Revenue Funds		67,495	67,495
Debt Service Funds		266,604	266,604
Capital Projects Funds		218,580	218,580
Total Fund Balances	<u>2,650,616</u>	<u>692,599</u>	<u>3,343,215</u>
Total Liabilities and Fund Balances	<u>\$8,023,690</u>	<u>\$1,129,026</u>	<u>\$9,152,716</u>

See Accompanying Notes to the Basic Financial Statements



**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2008**

<b>Total Governmental Fund Balances</b>		\$3,343,215
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		7,288,286
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		217,099
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(\$2,243,002)	
Compensated Absences Payable	(547,420)	
	<u>                    </u>	<u>(2,790,422)</u>
<b>Net Assets of Governmental Activities</b>		<u><u>\$8,058,178</u></u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

	<u>General Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property and Other Local Taxes	\$2,300,910	\$406,143	\$2,707,053
Income Tax	2,159,539		2,159,539
Intergovernmental	6,040,087	617,057	6,657,144
Interest	145,479	93	145,572
Tuition and Fees	1,149,801		1,149,801
Rent	34,532		34,532
Extracurricular Activities		179,464	179,464
Gifts and Donations	46,420	21,226	67,646
Customer Sales and Services		296,140	296,140
Miscellaneous	34,781	26,120	60,901
<b>Total Revenues</b>	<u>11,911,549</u>	<u>1,546,243</u>	<u>13,457,792</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	4,264,252	35,230	4,299,482
Special	1,852,544	184,435	2,036,979
Vocational	157,888		157,888
Other	439,137		439,137
Support Services:			
Pupils	540,821	128,916	669,737
Instructional Staff	432,721	24,055	456,776
Board of Education	44,651		44,651
Administration	740,383	19,573	759,956
Fiscal	298,580	10,698	309,278
Operation and Maintenance of Plant	809,139		809,139
Pupil Transportation	540,301	61,759	602,060
Central	243,488	9,847	253,335
Operation of Non-Instructional Services		468,143	468,143
Extracurricular Activities	255,727	197,253	452,980
Capital Outlay	15,318	21,649	36,967
Debt Service:			
Principal		230,000	230,000
Interest		74,528	74,528
<b>Total Expenditures</b>	<u>10,634,950</u>	<u>1,466,086</u>	<u>12,101,036</u>
Excess of Revenues Over Expenditures	1,276,599	80,157	1,356,756
<b>Fund Balance at Beginning of Year</b>	<u>1,374,017</u>	<u>612,442</u>	<u>1,986,459</u>
<b>Fund Balance at End of Year</b>	<u>\$2,650,616</u>	<u>\$692,599</u>	<u>\$3,343,215</u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**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, 2008**

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$1,356,756</b>
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p> <p>Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.</p>		
Capital Outlay - Depreciable Capital Assets	\$132,269	
Depreciation	<u>(388,773)</u>	(256,504)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Intergovernmental	(3,722)	
Income Taxes	17,997	
Delinquent Property Taxes	<u>25,276</u>	39,551
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.</p>		
		230,000
<p>Interest charges reported on the statement of activities, that do not require the use of current financial resources, are not reported as expenditures in governmental funds.</p>		
		(40,601)
<p>Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:</p>		
Compensated Absences Payable	<u>(42,144)</u>	(42,144)
<b>Change in Net Assets of Governmental Activities</b>		<u><u>\$1,287,058</u></u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
<b>Revenues:</b>				
Property and Other Local Taxes	\$2,406,846	\$2,406,846	\$2,267,439	(\$139,407)
Income Tax	1,658,102	1,658,102	1,877,417	219,315
Intergovernmental	5,771,400	5,778,227	6,040,087	261,860
Interest	120,000	120,000	139,704	19,704
Tuition and Fees	1,082,400	1,084,000	1,146,139	62,139
Rent	24,200	24,200	35,447	11,247
Gifts and Donations	35,000	35,200	46,420	11,220
Miscellaneous	7,500	7,500	16,150	8,650
<b>Total Revenues</b>	<u>11,105,448</u>	<u>11,114,075</u>	<u>11,568,803</u>	<u>454,728</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	4,254,497	4,391,654	4,325,749	65,905
Special	2,003,969	1,990,205	1,948,026	42,179
Vocational	166,741	169,525	165,315	4,210
Other	565,860	462,807	437,584	25,223
Support Services:				
Pupils	562,451	561,390	537,557	23,833
Instructional Staff	466,019	443,024	432,203	10,821
Board of Education	76,248	56,981	48,495	8,486
Administration	773,887	769,830	738,616	31,214
Fiscal	303,618	317,392	308,853	8,539
Operation and Maintenance of Plant	847,629	839,607	824,491	15,116
Pupil Transportation	524,956	587,465	572,199	15,266
Central	225,557	300,807	296,398	4,409
Extracurricular Activities	268,934	269,283	251,251	18,032
Capital Outlay	37,214	18,354	17,289	1,065
<b>Total Expenditures</b>	<u>11,077,580</u>	<u>11,178,324</u>	<u>10,904,026</u>	<u>274,298</u>
Excess of Revenues Over/(Under) Expenditures	<u>27,868</u>	<u>(64,249)</u>	<u>664,777</u>	<u>729,026</u>
<b>Other Financing Sources and Uses:</b>				
Transfers In		860	860	
Proceeds from Sale of Capital Assets	1,000	1,000		(1,000)
Refund of Prior Year Expenditures	3,000	3,000	19,060	16,060
Transfers Out		(860)	(860)	
<b>Total Other Financing Sources and Uses</b>	<u>4,000</u>	<u>4,000</u>	<u>19,060</u>	<u>15,060</u>
Net Change in Fund Balances	31,868	(60,249)	683,837	744,086
<b>Fund Balance at Beginning of Year</b>	1,507,149	1,507,149	1,507,149	
<b>Prior Year Encumbrances Appropriated</b>	110,458	110,458	110,458	
<b>Fund Balance at End of Year</b>	<u>\$1,649,475</u>	<u>\$1,557,358</u>	<u>\$2,301,444</u>	<u>\$744,086</u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>Assets:</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$3,263	\$29,743
Total Assets	<u>3,263</u>	<u>29,743</u>
<b>Liabilities:</b>		
Current Liabilities:		
Undistributed Monies		29,743
Total Liabilities		<u>\$29,743</u>
<b>Net Assets:</b>		
Held in Trust for Scholarships	3,263	
Total Net Assets	<u>\$3,263</u>	

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2008**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Gifts and Donations	\$500
Miscellaneous	<u>398</u>
Total Additions	<u>898</u>
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	<u>313</u>
Total Deductions	<u>313</u>
Change in Net Assets	585
<b>Net Assets Beginning of Year</b>	<u>2,678</u>
<b>Net Assets End of Year</b>	<u><u>\$3,263</u></u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

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

Liberty Center Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Liberty Center Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 45 non-certified and 74 certified full-time teaching personnel who provide services to 1,171 students and other community members.

**The Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; 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 does not have any component units.

The District is associated with organizations, which are defined as jointly governed organizations, a related organization and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Liberty Center Public Library, the Northern Buckeye Education Council's Employee Insurance Benefit Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

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

**A. Basis of Presentation**

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

**B. Fund Accounting**

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



**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

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

Governmental Funds

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

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

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

Fiduciary Funds

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

**C. Measurement Focus**

Government-Wide Financial Statements

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

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

Revenues - Exchange and Non-exchange Transactions

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, investment earnings, tuition, and student fees.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 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 been reported as deferred revenue.

Expenditures/Expenses

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

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

**E. Budgetary Process**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2008 is as follows:

1. The Treasurer submits an annual tax budget for the following fiscal year to the School Board by January 15, for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the Council Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following year.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

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

2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2008.

3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education. (State statute permits temporary appropriation to be effective until no later than October 1 of each year.)

Board adopted appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed appropriations at the legal level of control. The legal level of control has been established by the Board is at the object level for the General Fund and the fund level for all other funds.

4. Any revisions that alter the total of any object appropriation for any fund must be approved by the Board of Education.

The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

5. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the object level in the General Fund and the fund level for the remaining funds.

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year-end (not already recorded in accounts payable) are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

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

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

During fiscal year 2008, investments were limited to STAR Ohio and certificates of deposits. Certificates of deposit are non-negotiable and are reported at cost, which approximates fair value.

STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2008.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$145,479, which included \$35,622 from other District funds.

For presentation on the financial statements, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**G. Inventory**

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

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased.

**H. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change in normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State to be set aside for capital maintenance.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

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

**I. Capital Assets**

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

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

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable 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 termination method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

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

For the governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

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

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

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

**L. Net Assets**

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

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

**M. Fund Balance Reserves**

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

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

**N. Estimates**

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

**O. Pass-Through Grants**

The Title VI-B and Handicapped Preschool special revenue fund is a pass-through grant in which the Northwest Ohio Educational Service Center is the primary recipient. In accordance with GASB Statement 24, "Accounting and Financial Reporting of Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

**3. CHANGE IN ACCOUNTING PRINCIPLES**

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

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 12) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.



**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

**4. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

<b>Net Change in Fund Balance Major Governmental Fund</b>	
	<b>General</b>
GAAP Basis	\$1,276,599
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2007, Received In Cash FY 2008	839,990
Accrued FY 2008, Not Yet Received in Cash	(1,162,816)
Expenditure Accruals:	
Accrued FY 2007, Paid in Cash FY 2008	(1,083,579)
Accrued FY 2008, Not Yet Paid in Cash	1,131,087
Encumbrances Outstanding at Year End (Budget Basis)	(317,444)
Budget Basis	\$683,837

**5. DEPOSITS AND INVESTMENTS**

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

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

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 either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible in institutions; and
7. The State Treasurer's investment pool (STAR Ohio); and

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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,208,438 of the District's bank balance of \$1,407,438 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

**Investments**

As of June 30, 2008, the District investments \$2,226,335 in STAR Ohio

STAR Ohio carries a rating of AAAM by Standard and Poor's. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**6. PROPERTY TAXES**

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

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

Public utility real and tangible personal property taxes for 2008 were levied after April 1, 2007, on the assessed values as of December 31, 2006, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**6. PROPERTY TAXES – (Continued)**

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes for 2008 were levied after April 1, 2007, on the value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value. 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.

The District receives property taxes from Henry and Fulton Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2008 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2008, was \$163,117 in the General Fund, and \$21,714 in the Debt Service Fund, and \$9,047 in the Capital Projects Fund. The amount available as an advance at June 30, 2007, was \$184,768 in the General Fund, \$25,848 in the Debt Service Fund, and \$10,770 in the Capital Projects Fund.

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

	<b>2007 Second- Half Collections</b>		<b>2008 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$87,775,730	82%	\$89,745,340	84%
Industrial/Commercial	7,612,340	7%	7,851,420	7%
Public Utility	7,523,000	7%	6,488,280	6%
Tangible Personal	4,444,763	4%	2,685,133	3%
<b>Total Assessed Value</b>	<b>\$107,355,833</b>	<b>100%</b>	<b>\$106,770,173</b>	<b>100%</b>
Tax rate per \$1,000 of assessed valuation	\$47.60		\$47.60	

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

**7. INCOME TAX**

In 1995, the voters of the Liberty Center Local School District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2008, the District recorded income tax revenue of \$2,159,539 in the General Fund, of which \$1,044,279 is recorded as a receivable at June 30, 2008.

In May 2006, the voters approved an additional .75% income tax for general operations. The levy is effective January 1, 2007, and is applicable for a continuing period of time.

**8. RECEIVABLES**

Receivables at June 30, 2008, consisted of taxes, accounts (rent and student fees), intergovernmental, and accrued interest. 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>Amount</u>
Governmental Activities:	
Food Service	\$771
Title I	2,134
Title II-A	196
Total Intergovernmental Receivables	<u>\$3,101</u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**9. CAPITAL ASSETS**

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

	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/08</u>
Governmental Activities				
Non Depreciable Capital Assets				
Land	\$1,014,877			\$1,014,877
Depreciable Capital Assets				
Land Improvements	437,337	\$8,778		446,115
Buildings and Building Improvements	10,338,772	3,892		10,342,664
Permanent Fixtures	627,553			627,553
Equipment	651,343	43,004	(\$5,616)	688,731
Computers	403,395			403,395
Musical Instruments	100,422	2,695		103,117
Vehicles	1,067,772	73,900	(31,001)	1,110,671
Total Depreciable Capital Assets	<u>13,626,594</u>	<u>132,269</u>	<u>36,617</u>	<u>13,722,246</u>
Less Accumulated Depreciation				
Land Improvements	(131,380)	(21,867)		(153,247)
Buildings and Building Improvements	(5,091,495)	(216,449)		(5,307,944)
Permanent Fixtures	(318,725)	(34,397)		(353,122)
Equipment	(483,303)	(35,051)	5,616	(512,738)
Computers	(338,421)	(22,953)		(361,374)
Musical Instruments	(71,170)	(2,572)		(73,742)
Vehicles	(662,187)	(55,484)	31,001	(686,670)
Total Accumulated Depreciation	<u>(7,096,681)</u>	<u>(388,773)</u>	<u>36,617</u>	<u>(7,448,837)</u>
Depreciable Capital Assets, Net	<u>6,529,913</u>	<u>(256,504)</u>		<u>6,273,409</u>
Governmental Activities Capital Assets, Net	<u>\$7,544,790</u>	<u>(\$256,504)</u>		<u>\$7,288,286</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$134,591
Special	23,180
Vocational	6,762
Support Services:	
Pupil	14,783
Instructional Staff	7,801
Administration	13,693
Fiscal	3,841
Operation and Maintenance of Plant	28,691
Pupil Transportation	58,211
Central	9,343
Non-Instructional Services	13,079
Extracurricular	74,798
Total Depreciation Expense	<u>\$388,773</u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**10. RISK MANAGEMENT**

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

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. The District participates in the Schools of Ohio Risk Sharing Authority, Inc. for insurance coverage. Coverages provided are as follows:

Property Insurance	\$33,203,237
Automobile Liability	6,000,000
Error and Omissions	6,000,000
Crime Coverage	50,000
General Liability:	
Per Occurrence	6,000,000
Total per Year	8,000,000

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

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**C. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**11. DEFINED PENSION BENEFIT PLANS**

**A. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit (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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$543,391, \$518,356, and \$537,311 respectively; 83.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.



**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**B. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - 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 District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$96,386, \$104,030 and \$114,964 respectively; 48.95 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages paid.

**12. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008 and 2007, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$59,942, \$50,275, and \$53,760 respectively; 62.54 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$6,945, \$7,074, and \$8,476 respectively; 48.95 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$41,799, \$39,874, and \$41,332 respectively; 83.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**13. COMPENSATED ABSENCES**

Employees earn vacation at rates specified under State of Ohio law, negotiated agreements, and board policy, and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn no vacation. Twelve month Administrative employees are entitled to vacation based on board policy and individual contracts. Certain employees are permitted to carry over vacation leave if approved by the Superintendent.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 50 days for non-union employees and 53 days for certified and classified union employees.

**14. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2008, the following changes occurred in obligations reported in the Government -Wide Financial Statements:

	<u>Balance at 06/30/07</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 06/30/08</u>	<u>Amount Due In one Year</u>
General Obligation School Improvement Refunding Bonds Series 2003:					
Current Interest Bonds	\$2,130,002		\$230,000	\$1,900,002	\$235,000
Capital Appreciation Bonds	302,399	\$40,601		343,000	
Total Series 2003	<u>2,432,401</u>	<u>40,601</u>	<u>230,000</u>	<u>2,243,002</u>	<u>235,000</u>
Compensated Absences	547,663	38,938		586,601	94,749
Total Governmental Activities	<u>\$2,980,064</u>	<u>\$79,539</u>	<u>\$230,000</u>	<u>2,829,603</u>	<u>\$329,749</u>
Less: Unamortized Deferred Charge on Refunding				(117,858)	
Add: Amortized Premium on Refunding				<u>216,760</u>	
Total on Statement of Net Assets				<u>\$2,928,505</u>	

Proceeds from the outstanding bonds were used for the purpose of refunding general obligation bonds, dated March 1, 1994, which were issued for the purpose of financing school permanent improvements. The bonds were issued on September 1, 2003. The bonds consisted of \$2,985,000 in Current Interest bonds and \$139,998 in Capital Appreciation bonds.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

The Current Interest bonds shall bear interest at the rates per year and will mature in the principal amounts and on the principal payment dates as follows:

<b>Principal Payment Due</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
December 1, 2008	\$235,000	3.00%
December 1, 2009	245,000	3.25%
December 1, 2010	250,000	3.50%
December 1, 2013	265,000	4.00%
December 1, 2014	275,000	4.00%
December 1, 2015	275,000	4.10%
December 1, 2016	250,000	4.20%
December 1, 2017	105,000	4.30%

The Current Interest bonds maturing on or after December 1, 2014, are subject to prior optional redemption, by and at the sole option of the Board, either in whole or in part (as selected by the Board and in integral multiples of \$5,000) on any date on or after December 1, 2013, at par, plus interest accrued to the redemption date.

The Capital Appreciation bonds shall be dated the date of their issuance, shall be issued in the principal amounts, shall mature and be payable as to both principal and interest in the maturity amounts on the principal payment dates, and shall bear interest at the compounding rates per year as follows:

<b>Principal Payment Due</b>	<b>Original Principal Amount</b>	<b>Accreted Value at Maturity</b>	<b>Compounded Interest Rate</b>
December 1, 2011	\$75,965	\$265,000	15.777%
December 1, 2012	64,033	260,000	15.777%

Capital Appreciation bonds are not subject to optional redemption prior to their maturity.

The value of the Capital Appreciation bonds reported at June 30, 2008, was \$343,000. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$203,002 has been included in the value. The bonds are being retired through the Bond Retirement Fund.

The District has defeased a debt issue by placing cash with a trustee in an amount sufficient to pay all debt principal and interest when they come due. The principal amount of the defeased debt outstanding at June 30, 2008, was \$2,039,997. The cash and investments held by the trustees are not included in the District's assets nor are the outstanding bonds included above.

Total expenditures for interest for the above debt for the period ended June 30, 2008, was \$74,528.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

The scheduled payments of principal and interest on debt outstanding at June 30, 2008, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$235,000	\$68,128	\$303,128
2010	245,000	60,621	305,621
2011	250,000	52,265	302,265
2012	180,984	84,016	265,000
2013	162,016	97,984	260,000
2014-2018	1,170,002	107,055	1,277,057
Total	<u>\$2,243,002</u>	<u>\$470,069</u>	<u>\$2,713,071</u>

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

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Balance as of June 30, 2007	(\$103,847)	
Current Year Set-aside Requirement	185,533	\$185,533
Qualifying Disbursements	(191,080)	(250,682)
Total	<u>(\$109,394)</u>	<u>(\$65,149)</u>
Set-Aside Balance Carried Forward to FY 2009	<u>(\$109,394)</u>	

Although the District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts for the Capital Acquisition are not presented as being carried forward to the next fiscal year.

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. The negative amounts may be used to offset future year textbook and instructional material set-aside requirements.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

**16. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total fees paid by the District to NWOCA during this fiscal year were \$54,884. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**C. Four County Career Center**

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; one representative from each of the exempted village school districts. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

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

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

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

**17. GROUP PURCHASING POOLS**

**A. NBEC Employee Insurance Benefits Program**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$839,930. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. NBEC Workers' Compensation Group Rating Plan**

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$1,058 to the WCGRP to cover the costs of administering the program.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

**17. GROUP PURCHASING POOLS – (Continued)**

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

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code - Non-Profit Corporations and functioning under authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons, which might result in claims being made against members of SORSA, their employees or officers. The District paid \$69,669 for these services to SORSA in fiscal year 2008.

A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of Superintendents, Treasurers, or Business Managers from the participating school districts. Willis Pooling administers the pool and Frank Gates Service Company manages the claims. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

**18. RELATED ORGANIZATION**

**Liberty Center Public Library**

The Liberty Center Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Liberty Center Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires, and fires personnel, and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Liberty Center Public Library, Connie Busch, Clerk/Treasurer, at 111 East Street, Liberty Center, Ohio 43532.

**19. CONTINGENCIES**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.





# Mary Taylor, CPA

## Auditor of State

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

Liberty Center Local School District  
Henry County  
P.O. Box 434  
Liberty Center, Ohio 43532-0434

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Liberty Center Local School District, Henry County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

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

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

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

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

One Government Center / Room 1420 / Toledo, OH 43604-2246  
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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We noted certain matters that we reported to the District's management in a separate letter dated March 13, 2009.

#### **Compliance and Other Matters**

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

We did note certain noncompliance that we reported to the District's management in a separate letter dated March 13, 2009.

We intend this report solely for the information and use of management, and the Board of Education. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

March 13, 2009



**Mary Taylor, CPA**  
Auditor of State

**LIBERTY CENTER LOCAL SCHOOL DISTRICT**  
**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**MARCH 31, 2009**