



**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDING JUNE 30, 2009



Dave Yost • Auditor of State

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

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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, 2009, 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, 2009, 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 February 18, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with

Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Dave Yost
Auditor of State

February 18, 2011

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009
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, 2009. 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 2009 are as follows:

In total, net assets increased \$1,005,870.

General revenues accounted for \$10,326,889, 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 \$3,011,551 or 23 percent of total revenues of \$13,338,440.

The District's only major fund is the General Fund.

The General Fund had \$11,711,482 in revenues and \$10,779,880 in expenditures. The General Fund's balance increased \$931,602 from the prior fiscal year. This change is due to revenues being higher than expenses and is 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 2009. 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, 2009
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 fund. 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, 2009
Unaudited
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2009 compared to fiscal year 2008.

**Table 1
Net Assets
Governmental Activities**

	2009	2008
<u>Assets:</u>		
Current and Other Assets	\$10,260,649	\$9,251,618
Capital Assets, Net	7,174,932	7,288,286
Total Assets	<u>17,435,581</u>	<u>16,539,904</u>
<u>Liabilities:</u>		
Current and Other Liabilities	5,641,918	5,553,221
Long-Term Liabilities	2,729,615	2,928,505
Total Liabilities	<u>8,371,533</u>	<u>8,481,726</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	5,126,329	5,045,284
Restricted	721,441	704,307
Unrestricted	3,216,278	2,308,587
Total	<u>\$9,064,048</u>	<u>\$8,058,178</u>

The change in net assets from fiscal year 2008 to fiscal year 2009 was positive.

Table 2 reflects the changes in net assets for fiscal year 2009 compared to fiscal year 2008.

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

	2009	2008
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$1,593,726	\$1,659,937
Operating Grants, Contributions and Interest	1,417,825	1,435,994
Total Program Revenues	<u>3,011,551</u>	<u>3,095,931</u>
General Revenues:		
Property Taxes	2,741,999	2,732,329
Income Taxes	1,920,291	2,177,536
Grants and Entitlements	5,418,140	5,217,428
Investment Earnings	87,763	145,572
Gifts and Donations	35,248	67,646
Miscellaneous	123,448	60,901
Total General Revenues	<u>10,326,889</u>	<u>10,401,412</u>
Total Revenues	<u>13,338,440</u>	<u>13,497,343</u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009
Unaudited
(Continued)**

Expenses:		
Instruction	7,165,725	7,133,158
Support Services:		
Pupils	683,188	685,768
Instructional Staff	413,537	466,141
Board of Education	54,805	44,651
Administration	821,768	767,306
Fiscal	252,587	300,566
Operation and Maintenance of Plant	864,371	827,897
Pupil Transportation	523,901	582,466
Central	243,343	263,672
Non-Instructional	483,790	478,343
Extracurricular Activities	605,508	520,891
Capital Outlay	111,318	24,297
Interest and Fiscal Charges	108,729	115,129
Total Expenses	12,332,570	12,210,285
Change in Net Assets	\$1,005,870	\$1,287,058

There were decreases in charges for services, operating grants, and income tax revenue. 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, 2009
Unaudited
(Continued)**

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
Instruction	\$7,165,725	\$4,921,280	\$7,133,158	\$4,879,135
Support Services:				
Pupils	683,188	676,690	685,768	561,424
Instructional Staff	413,537	397,575	466,141	443,175
Board of Education	54,805	54,805	44,651	44,651
Administration	821,768	806,080	767,306	756,206
Fiscal	252,587	252,587	300,566	300,566
Operation and Maintenance of Plant	864,371	864,371	827,897	827,897
Pupil Transportation	523,901	486,674	582,466	560,985
Central	243,343	234,343	263,672	254,672
Non-Instructional	483,790	9,017	478,343	(833)
Extracurricular Activities	605,508	397,550	520,891	347,050
Capital Outlay	111,318	111,318	24,297	24,297
Interest and Fiscal Charges	108,729	108,729	115,129	115,129
Total Expenses	<u>\$12,332,570</u>	<u>\$9,321,019</u>	<u>\$12,210,285</u>	<u>\$9,114,354</u>

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 76 percent. The remaining 24 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 \$13,363,333 and expenditures of \$12,412,367. The net positive change of \$950,966 in fund balance is due to revenues being higher than expenditures for the year and 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 2009, the District amended its General Fund budget as needed.

Final expenditures and other financing uses were budgeted at \$11,597,277, while actual expenditures and other financing uses were \$10,949,331. The \$647,946 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, 2009
Unaudited
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$7,174,932 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, 2009, the District had \$2,048,603 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, 2009, the District's overall legal debt margin was \$8,105,380, with an un-voted debt margin of \$112,822.

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 1,100 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a major influence on the economy.

In fiscal year 2009, the District was operating in the second year of the state biennium budget. Forty-nine percent of District revenue sources are from local funds, 46 percent is from state funds and the remaining 5 percent is from federal funds. The total expenditure per pupil was calculated at \$10,034.25 for fiscal year 2009. This cost per pupil is an increase from fiscal year 2008.

The financial position of the District had begun to improve in fiscal year 2009. The $\frac{3}{4}$ percent income tax was being collected in full. The District completed fiscal year 2009 with \$950,966 in excess of revenue over expenditures and had a positive fund balance of \$4,294,181. This healthy carryover was due to reductions made over the last three years and higher than projected income tax revenues. 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. The five year forecast for fiscal year 2010 through fiscal year 2014 is currently showing deficit spending beginning with fiscal year 2010 and increasing throughout the forecast. With the uncertainty in state funding and federal subsidies beyond fiscal year 2011, fiscal stability for the District will be a challenge to maintain. The Board and administration will be monitoring the effects of new state laws and federal regulations and will be poised to act as necessary to maintain fiscal stability.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009
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, 2009**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 4,490,829
Materials and Supplies Inventory	32,965
Accrued Interest Receivable	15,333
Accounts Receivable	244
Intergovernmental Receivable	11,128
Taxes Receivable	4,822,157
Income Taxes Receivable	798,982
Unamortized Bond Issue Costs	89,011
Capital Assets:	
Non-Depreciable Capital Assets	1,014,877
Depreciable Capital Assets, net	6,160,055
Total Assets	<u>17,435,581</u>
Liabilities:	
Accounts Payable	52,553
Accrued Wages and Benefits	935,427
Intergovernmental Payable	201,912
Deferred Revenue	4,452,026
Long-Term Liabilities:	
Due Within One Year	304,585
Due in More Than One Year	2,425,030
Total Liabilities	<u>8,371,533</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	5,126,329
Restricted for Debt Service	323,130
Restricted for Capital Outlay	285,316
Restricted for Other Purposes	112,995
Unrestricted	3,216,278
Total Net Assets	<u>\$ 9,064,048</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, 2009**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net(Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$ 4,331,517	\$ 1,085,747	\$ 187,470	\$ (3,058,300)
Special	2,219,262		900,876	(1,318,386)
Vocational	232,772		70,352	(162,420)
Student Intervention Services	58,124			(58,124)
Other	324,050			(324,050)
Support Services:				
Pupils	683,188		6,498	(676,690)
Instructional Staff	413,537		15,962	(397,575)
Board of Education	54,805			(54,805)
Administration	821,768	10,688	5,000	(806,080)
Fiscal	252,587			(252,587)
Operation and Maintenance of Plant	864,371			(864,371)
Pupil Transportation	523,901		37,227	(486,674)
Central	243,343		9,000	(234,343)
Operation of Non-Instructional Services	483,790	289,333	185,440	(9,017)
Extracurricular Activities	605,508	207,958		(397,550)
Capital Outlay	111,318			(111,318)
Debt Service:				
Interest and Fiscal Charges	108,729			(108,729)
Totals	<u>\$ 12,332,570</u>	<u>\$ 1,593,726</u>	<u>\$ 1,417,825</u>	<u>\$ (9,321,019)</u>

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	2,318,209
Property Taxes, Levied for Capital Outlay	126,364
Property Taxes, Levied for Debt Service	297,426
Income Taxes	1,920,291
Grants and Entitlements not Restricted to Specific Programs	5,418,140
Gifts and Donations	35,248
Investment Earnings	87,763
Miscellaneous	123,448
Total General Revenues	<u>10,326,889</u>
Change in Net Assets	1,005,870
Net Assets Beginning of Year	<u>8,058,178</u>
Net Assets End of Year	<u>\$ 9,064,048</u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2009**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 3,772,618	\$ 718,211	\$ 4,490,829
Materials and Supplies Inventory	19,436	13,529	32,965
Accrued Interest Receivable	15,333		15,333
Accounts Receivable	244		244
Intergovernmental Receivable		11,128	11,128
Taxes Receivable	4,395,195	426,962	4,822,157
Income Taxes Receivable	798,982		798,982
Total Assets	\$ 9,001,808	\$ 1,169,830	\$ 10,171,638
Liabilities			
Current Liabilities:			
Accounts Payable	50,084	2,469	52,553
Accrued Wages and Benefits	889,671	45,756	935,427
Intergovernmental Payable	184,511	17,401	201,912
Matured Compensated Absences Payable	43,333		43,333
Deferred Revenue	4,251,991	392,241	4,644,232
	5,419,590	457,867	5,877,457
Fund Balances			
Reserved:			
Reserved for Encumbrances	150,020	90,215	240,235
Reserved for Property Taxes	177,386	31,385	208,771
Unreserved, Undesignated, Reported in:			
General Fund	3,254,812		3,254,812
Special Revenue Funds		91,716	91,716
Debt Service Funds		294,208	294,208
Capital Projects Funds		204,439	204,439
Total Fund Balances	3,582,218	711,963	4,294,181
Total Liabilities and Fund Balances	\$ 9,001,808	\$ 1,169,830	\$ 10,171,638

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, 2009**

Total Governmental Fund Balances		\$ 4,294,181
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.		7,174,932
Taxes Receivable that do not provide financial resources are not reported as revenue in governmental funds.		192,206
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Long Term Debt Obligations	(2,048,603)	
Compensated Absences	(548,668)	
	<u> </u>	(2,597,271)
Net Assets of Governmental Activities		<u><u>\$ 9,064,048</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, 2009**

	General Fund	All Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Local Taxes	\$ 2,326,182	\$ 424,069	\$ 2,750,251
Income Tax	1,934,981		1,934,981
Intergovernmental	6,241,943	595,973	6,837,916
Interest	87,749	14	87,763
Tuition and Fees	1,051,278		1,051,278
Rent	34,469		34,469
Extracurricular Activities		217,717	217,717
Gifts and Donations	10,500	24,748	35,248
Customer Sales and Services		290,262	290,262
Miscellaneous	24,380	99,068	123,448
Total Revenues	11,711,482	1,651,851	13,363,333
Expenditures:			
Current:			
Instruction:			
Regular	4,185,012	39,535	4,224,547
Special	1,899,505	282,615	2,182,120
Vocational	229,238		229,238
Student Intervention Services	58,124		58,124
Other	332,986		332,986
Support Services:			
Pupils	665,889	5,265	671,154
Instructional Staff	401,304	18,598	419,902
Board of Education	54,805		54,805
Administration	760,116	49,657	809,773
Fiscal	336,763	12,272	349,035
Operation and Maintenance of Plant	830,620	28,701	859,321
Pupil Transportation	475,490	67,859	543,349
Central	235,854		235,854
Operation of Non-Instructional Services		481,903	481,903
Extracurricular Activities	285,924	252,625	538,549
Capital Outlay	28,250	90,329	118,579
Debt Service:			
Principal		235,000	235,000
Interest		68,128	68,128
Total Expenditures	10,779,880	1,632,487	12,412,367
Excess of Revenues Over Expenditures	931,602	19,364	950,966
Fund Balance at Beginning of Year	2,650,616	692,599	3,343,215
Fund Balance at End of Year	\$ 3,582,218	\$ 711,963	\$ 4,294,181

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement Activities
For the Fiscal Year Ended June 30, 2009**

Net Change in Fund Balances - Total Governmental Funds \$ 950,966

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

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 depreciation exceeds capital outlay in the current year.

Capital Outlay - Depreciable Capital Assets	289,736	
Depreciation	(403,090)	
		(113,354)

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

Intergovernmental	(1,951)	
Income Taxes	(14,690)	
Delinquent Property Taxes	(8,252)	
		(24,893)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

235,000

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.

(40,601)

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:

Compensated Absences Payable	(1,248)	
		(1,248)

Change in Net Assets of Governmental Activities \$ 1,005,870

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Schedule 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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
Revenues:				
Property and Other Local Taxes	\$ 2,182,000	\$ 2,182,000	\$ 2,268,318	\$ 86,318
Income Tax	1,900,000	1,900,000	2,165,588	265,588
Intergovernmental	6,224,000	6,224,000	6,241,943	17,943
Interest	60,000	60,000	85,946	25,946
Tuition and Fees	1,087,000	1,087,000	1,086,420	(580)
Rent	22,000	22,000	34,469	12,469
Gifts and Donations	35,000	35,050	10,500	(24,550)
Miscellaneous	10,000	10,000	2,779	(7,221)
Total Revenues	<u>11,520,000</u>	<u>11,520,050</u>	<u>11,895,963</u>	<u>375,913</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,342,042	4,320,808	4,233,616	87,192
Special	2,062,316	2,115,824	1,961,179	154,645
Vocational	226,762	230,003	229,910	93
Student Intervention Services	68,101	68,101	58,624	9,477
Other	420,880	353,571	344,994	8,577
Support Services:				
Pupils	607,361	693,947	667,024	26,923
Instructional Staff	412,502	416,177	401,893	14,284
Board of Education	73,239	73,239	54,780	18,459
Administration	826,017	844,812	764,586	80,226
Fiscal	356,654	356,502	343,475	13,027
Operation and Maintenance of Plant	920,791	921,600	814,160	107,440
Pupil Transportation	652,103	537,918	482,285	55,633
Central	307,523	337,176	277,210	59,966
Extracurricular Activities	284,827	296,687	294,285	2,402
Capital Outlay	30,862	30,852	21,250	9,602
Total Expenditures	<u>11,591,980</u>	<u>11,597,217</u>	<u>10,949,271</u>	<u>647,946</u>
Excess of Revenues Over (Under) Expenditures	<u>(71,980)</u>	<u>(77,167)</u>	<u>946,692</u>	<u>1,023,859</u>
Other Financing Sources and Uses:				
Proceeds from Sale of Fixed Assets	1,000	1,000		(1,000)
Refund of Prior Year Expenditures	2,500	2,500	21,492	18,992
Refund of Prior Year Receipts		(60)	(60)	
Total Other Financing Sources and Uses	<u>3,500</u>	<u>3,440</u>	<u>21,432</u>	<u>17,992</u>
Net Change in Fund Balances	<u>(68,480)</u>	<u>(73,727)</u>	<u>968,124</u>	<u>1,041,851</u>
Fund Balance at Beginning of Year	2,301,444	2,301,444	2,301,444	
Prior Year Encumbrances Appropriated	317,444	317,444	317,444	
Fund Balance at End of Year	<u>\$ 2,550,408</u>	<u>\$ 2,545,161</u>	<u>\$ 3,587,012</u>	<u>\$ 1,041,851</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, 2009**

	Private Purpose Trust	Agency Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 3,716	\$ 30,029
Liabilities		
Current Liabilities:		
Undistributed Monies		\$ 30,029
Net Assets		
Held in Trust for Scholarships	3,716	
Total Net Assets	\$ 3,716	

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, 2009**

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Donations	\$ 500
Miscellaneous	<u>429</u>
Total Additions	<u>929</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>476</u>
Change in Net Assets	453
Net Assets Beginning of Year	<u>3,263</u>
Net Assets End of Year	<u><u>\$ 3,716</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, 2009**

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 1,237 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, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 15, 16, and 17 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, 2009
(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 program 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, 2009
(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, 2009
(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, 2009
(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, 2009, but which were levied to finance fiscal year 2010 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 2009 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, 2009
(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 2009.

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 fund level, function and/or object level.

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, 2009
(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. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2009, investments were limited to STAR Ohio, repurchase agreement, and certificates of deposits. Repurchase agreements and 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, 2009.

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 2009 amounted to \$87,749, which included: \$16,138 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. There were no restricted assets as of June 30, 2009 .

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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, 2009
(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 "matured 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, 2009
(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 2009.

3. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget 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.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance Major Governmental Fund	General
GAAP Basis	\$931,602
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2008, Received In Cash FY 2009	1,163,676
Accrued FY 2009, Not Yet Received in Cash	(957,763)
Expenditure Accruals:	
Accrued FY 2008, Paid in Cash FY 2009	(1,132,547)
Accrued FY 2009, Not Yet Paid in Cash	1,148,163
Encumbrances Outstanding at Year End (Budget Basis)	(185,007)
Budget Basis	\$968,124

4. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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;

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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 institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

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.

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, \$2,975,174 of the District's bank balance of \$3,933,870 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, 2009, the District had the following investments.

	Balance at Fair Value	Less Than One Year
Star Ohio	\$400,615	\$400,615
Repurchase Agreement	252,696	252,696
Total Investments	\$653,311	\$653,311

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk – The Federal National Mortgage Association security underlying the repurchase agreement carries the highest ratings by Moody's (Aaa) and Standard and Poors (AAA).

STAR Ohio carries a rating of AAA 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.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement is exposed to custodial credit risk in that it is uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District's investment policy does not address investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District's investment policy places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investments are limited to the repurchase agreement and STAR Ohio.

5. 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 2009 represent the collection of calendar year 2008 taxes. Real property taxes for 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 2009 were levied after April 1, 2008, on the assessed values as of December 31, 2007, 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.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone

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

5. PROPERTY TAXES (Continued)

companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from 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, 2009, are available to finance fiscal year 2009 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, 2009 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 2009 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, 2009, was \$177,386 in the General Fund, and \$22,232 in the Debt Service Fund, and \$9,153 in the Capital Projects Fund. The amount available as an advance at June 30, 2008, was \$163,117 in the General Fund, \$21,714 in the Debt Service Fund, and \$9,047 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$89,745,340	84%	\$98,046,160	87%
Industrial/Commercial	7,851,420	7%	8,017,880	7%
Public Utility	6,488,280	6%	6,482,000	6%
Tangible Personal	2,685,133	3%	275,990	0%
Total Assessed Value	<u>\$106,770,173</u>	<u>100%</u>	<u>\$112,822,030</u>	<u>100%</u>
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, 2009
(Continued)**

6. 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, 2009, the District recorded income tax revenue of \$1,934,981 in the General Fund, of which \$798,982 is recorded as a receivable at June 30, 2009.

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

7. RECEIVABLES

Receivables at June 30, 2009, consisted of property, 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 Funds	
Food Service	\$553
Title I	9,346
Drug Free Schools	1,224
Title II-A	5
Total Intergovernmental Receivables	<u>\$11,128</u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance at 6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/09</u>
Governmental Activities				
Non Depreciable Capital Assets				
Land	\$1,014,877			\$1,014,877
Depreciable Capital Assets				
Land Improvements	446,115	\$12,884		458,999
Buildings and Building Improvements	10,342,664			10,342,664
Permanent Fixtures	627,553			627,553
Equipment	688,731	134,780	\$44,056	779,455
Computers	403,395	35,335	130,165	308,565
Musical Instruments	103,117	3,350		106,467
Vehicles	1,110,671	103,387	7,426	1,206,632
Total Depreciable Capital Assets	<u>13,722,246</u>	<u>289,736</u>	<u>181,647</u>	<u>13,830,335</u>
Less Accumulated Depreciation				
Land Improvements	(153,247)	(21,867)		(175,114)
Buildings and Building Improvements	(5,307,944)	(216,460)		(5,524,404)
Permanent Fixtures	(353,122)	(33,854)		(386,976)
Equipment	(512,738)	(49,376)	44,056	(518,058)
Computers	(361,374)	(22,670)	130,165	(253,879)
Musical Instruments	(73,742)	(2,811)		(76,553)
Vehicles	(686,670)	(56,052)	7,426	(735,296)
Total Accumulated Depreciation	<u>(7,448,837)</u>	<u>(403,090)</u>	<u>\$181,647</u>	<u>(7,670,280)</u>
Depreciable Capital Assets, Net	<u>6,273,409</u>	<u>(113,354)</u>		<u>6,160,055</u>
Governmental Activities Capital Assets, Net	<u>\$7,288,286</u>	<u>(\$113,354)</u>		<u>\$7,174,932</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$140,748
Special	23,150
Vocational	7,068
Support Services:	
Pupil	14,783
Instructional Staff	8,167
Administration	13,528
Fiscal	9,395
Operation and Maintenance of Plant	32,097
Pupil Transportation	58,284
Central	6,873
Non-Instructional Services	12,679
Extracurricular	70,695
Capital Outlay	5,623
Total Depreciation Expense	<u>\$403,090</u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

9. 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	\$34,416,161
Automobile Liability	11,000,000
Error and Omissions	11,000,000
Crime Coverage	100,000
General Liability:	
Per Occurrence	1,000,000
Total per Year	13,000,000
Excess Liability Max	10,000,000

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
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

10. 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.

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, 2009, 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. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. 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, 2009, 2008, and 2007 were \$588,434, \$543,391, and \$518,356, respectively; 84 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

B. School Employee 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, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

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 2009, 9.09 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, 2009, 2008 and 2007 were \$116,144, \$96,386 and \$104,030, respectively; 59 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2009, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

11. 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

11. 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 2009, 4.16 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 2009, 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, 2009, 2008, and 2007 were \$53,153, \$59,942, and \$50,275 respectively; 59 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$9,583, \$6,945 and \$7,074, respectively; 59 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 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 2009, 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, 2009, 2008, and 2007 were \$45,264, \$41,799 and \$39,874 respectively; 84 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

12. 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.

13. LONG-TERM OBLIGATIONS

During the year ended June 30, 2009, the following changes occurred in obligations reported in the Government -Wide Financial Statements:

	<u>Balance at 06/30/08</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 06/30/09</u>	<u>Amount Due In one Year</u>
General Obligation School Improvement Refunding Bonds Series 2003:					
Current Interest Bonds	\$1,900,002		\$235,000	\$1,665,002	\$245,000
Capital Appreciation Bonds	343,000	\$40,601		383,601	
Total Series 2003	<u>2,243,002</u>	<u>40,601</u>	<u>235,000</u>	<u>2,048,603</u>	<u>245,000</u>
Compensated Absences	586,601	5,400		592,001	59,585
Total Government Activities	<u>\$2,829,603</u>	<u>\$46,001</u>	<u>\$235,000</u>	<u>2,640,604</u>	<u>\$304,585</u>
Less: Unamortized Deferred Charge on Refunding				(127,749)	
Add: Unamortized Premium on Refunding				<u>216,760</u>	
Total on Statement of Net Assets				<u>\$2,729,615</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, 2009
(Continued)**

13. 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:

Principal Payment Due	Principal Amount	Interest Rate
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:

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

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

The value of the Capital Appreciation bonds reported at June 30, 2009, was \$383,601. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$243,603 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, 2009, was \$1,804,997. 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, 2009 was \$68,128.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

The scheduled payments of principal and interest on debt outstanding at June 30, 2009 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$245,000	\$60,621	\$305,621
2011	250,000	52,265	302,265
2012	201,988	63,012	265,000
2013	181,613	78,387	260,000
2014	265,000	42,590	307,590
2015-2018	905,002	64,465	969,467
Total	<u>\$2,048,603</u>	<u>\$361,340</u>	<u>\$2,409,943</u>

14. 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, 2008	(\$109,394)	
Current Year Set-aside Requirement	192,046	\$192,046
Qualifying Disbursements	<u>(250,829)</u>	<u>(290,893)</u>
Total	<u>(\$168,177)</u>	<u>(\$98,847)</u>
Set-Aside Balance Carried Forward to FY 2010	<u>(\$168,177)</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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

15. 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 \$123,157. 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.

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.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

16. 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 \$746,398. 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 \$1,026 to the WCGRP to cover the costs of administering the program.

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 \$65,881 for these services to SORSA in fiscal year 2009.

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.

17. 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 at 111 East Street, Liberty Center, Ohio 43532.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

18. 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, 2009.



Dave Yost • Auditor of State

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

Liberty 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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 18, 2011.

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



Dave Yost
Auditor of State

February 18, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on November 20, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

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Independent Accountants' Report on
Applying Agreed-Upon Procedures

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Dave Yost
Auditor of State

February 18, 2011



Dave Yost • 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 15, 2011