

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2009***

DAVID BUTLER, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Liberty-Union-Thurston Local School District
621 Washington Street
Baltimore, Ohio 43105

We have reviewed the *Independent Auditor's Report* of the Liberty-Union-Thurston Local School District, Fairfield County, prepared by Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 19, 2010

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Board of Education
Liberty Union-Thurston Local School District
621 Washington Street
Baltimore, Ohio 43105

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Union-Thurston Local School District, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise Liberty Union-Thurston Local School District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Liberty Union-Thurston Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Union-Thurston Local School District, Fairfield County, Ohio, as of June 30, 2009, and the respective changes in financial position and cash flows, were applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2009, on our consideration of Liberty Union-Thurston Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Liberty Union-Thurston Local School District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Liberty Union-Thurston Local School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
December 15, 2009

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

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

The discussion and analysis of the Liberty Union-Thurston Local School District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

Financial Highlights

- ▶ The assets of Liberty Union-Thurston Local School District exceeded its liabilities at June 30, 2009 by \$27,286,529. This balance was comprised of a \$2,854,603 invested in capital assets, net of related debt and \$19,903,711 net asset amounts restricted for specific purposes and a balance of \$4,528,215 in unrestricted net assets.
- ▶ In total, net assets of governmental activities increased by \$18,331,864 which represents a 204.72 percent increase from 2008.
- ▶ General revenues accounted for \$31,110,614 or 95.42 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,492,615 or 4.58 percent of total revenues of \$32,603,229.
- ▶ The District had \$14,271,365 in expenses related to governmental activities; only \$1,492,615 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$31,110,614 were used to provide for the remainder of these programs.
- ▶ The District recognizes four major governmental funds: the General, Classroom Facilities, Building and Bond Retirement Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$12,534,057 in revenues and \$11,852,162 in expenditures in fiscal year 2009.

Using this Annual Report

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

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

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

Reporting the District as a Whole

Government-Wide Financial Statements

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

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

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

Governmental Funds

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

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

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for 2009 compared to fiscal year 2008:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	2009	2008
<u>Assets:</u>		
Current and Other Assets	\$36,972,822	\$18,965,495
Capital Assets, Net	9,476,065	8,696,732
<i>Total Assets</i>	<u>46,448,887</u>	<u>27,662,227</u>
<u>Liabilities:</u>		
Long-Term Liabilities	13,676,599	14,034,858
Other Liabilities	5,485,759	4,672,704
<i>Total Liabilities</i>	<u>19,162,358</u>	<u>18,707,562</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	2,854,603	1,681,511
Restricted	19,903,711	3,491,817
Unrestricted	4,528,215	3,781,337
<i>Total Net Assets</i>	<u>\$27,286,529</u>	<u>\$8,954,665</u>

Current and other assets increased \$18,007,327 from fiscal year 2008 due to increases in cash and cash equivalents held by the District and intergovernmental receivable.

Capital assets increased \$779,333 or 8.96 percent as the result of construction in progress.

Current (other) liabilities increased \$813,055 or 17.40 percent due primarily to increases in deferred revenue related to property taxes receivable and claims payable.

Long-term liabilities decreased \$358,259 as a result of scheduled debt payments.

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

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

capital assets themselves cannot be used to pay these liabilities.

The District's unrestricted net assets are \$4,528,215. These net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors.

The remaining balance of \$19,903,711 is restricted. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2009 and comparisons to fiscal year 2008.

**Table 2
Changes in Net Assets**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
<u>Revenues:</u>		
<i>Program Revenue:</i>		
Charges for Services and Sales	\$613,970	\$572,801
Operating Grants and Contributions	878,645	950,689
<i>General Revenue:</i>		
Property Taxes	4,017,141	3,820,715
Income Taxes	2,839,770	2,904,526
Unrestricted Grants and Entitlements	6,341,293	6,192,939
School Facilities Commission Grant	17,149,100	0
Unrestricted Tuition and Fees	377,973	336,757
Investment Earnings	284,255	294,359
Miscellaneous	101,082	108,398
<i>Total Revenues</i>	<u>\$32,603,229</u>	<u>15,181,184</u>
<u>Expenses:</u>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	5,723,201	5,473,449
Special	1,517,220	1,469,894
Vocational	404,058	415,437
Student Intervention Services	88,713	142,177

(Continued)

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

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

Table 2
Changes in Net Assets

	<u>2009</u>	<u>2008</u>
<i>Support Services:</i>		
Pupils	657,730	582,911
Instructional Staff	633,078	572,982
Board of Education	117,910	88,959
Administration	967,288	1,217,693
Fiscal	429,752	439,633
Operation and Maintenance of Plant	1,390,877	1,436,944
Pupil Transportation	655,962	589,074
<i>Operation of Non-Instructional Services:</i>		
Food Service	449,240	497,566
Extracurricular Activities	608,581	541,671
Interest and Fiscal Charges	<u>627,755</u>	<u>341,303</u>
<i>Total Expenses</i>	<u>14,271,365</u>	<u>13,809,693</u>
<i>Change in Net Assets</i>	18,331,864	1,371,491
Net Assets – Beginning of Year	<u>8,954,665</u>	<u>7,583,174</u>
Net Assets – End of Year	<u>\$27,286,529</u>	<u>\$8,954,665</u>

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

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

The most significant program expenses for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Administration and Pupils. These programs account for 71.87 percent of the total governmental activities. Regular Instruction, which accounts for 40.10 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 10.63 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Operation and Maintenance of Plant, which represents 9.75 percent of the total, represents costs associated with the operating and maintaining the District's facilities. Administration, which represents 6.78 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Pupils, which represents 4.61 percent of the total, represents costs associated with activities designed to assess and improve the well-being of pupils and supplement the teaching process.

As noted previously, the net assets for the governmental activities increased \$18,331,864 or 204.72 percent. This is a change from last year when net assets increased \$1,371,491 or 18.09 percent. Total revenues increased \$17,422,045 or 114.76 percent over last year and expenses increased \$461,672 or 3.34 percent.

The District had program revenue decreases of \$30,875, as well as increases in general revenues of \$17,452,920. There was one significant increase in general revenues. School Facilities Commission Grant increased \$17,149,100 over the last year, before the project had began.

The total expenses for governmental activities increased due mostly to increases in regular and special instruction. The remaining difference is due to normal increases in expenses.

The majority of the funding for the most significant programs indicated above is from school facilities grant, property taxes, income taxes, and grants and entitlements not restricted for specific programs. School facilities grant, property taxes, income taxes and grants and entitlements not restricted for specific programs account for 93.08 percent of total revenues.

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 12.32 percent and intergovernmental revenue made up 74.74 percent of the total revenue for the governmental activities in fiscal year 2009.

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

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
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(Unaudited)*

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2009, the District received \$5,572,251 through the State's foundation program, which represents 17.09 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 54.19 percent of governmental activities program expenses. Support services expenses make up 34.00 percent of governmental activities program expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2009 and comparisons to fiscal year 2008. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
<i>Program Expenses:</i>				
Instruction	\$7,733,192	\$7,500,957	\$7,170,067	\$6,902,594
Support Services	4,852,597	4,928,196	4,794,890	4,864,564
Operation of Non-Instructional Services	449,240	497,566	(59,522)	1,582
Extracurricular Activities	608,581	541,671	245,560	176,160
Interest and Fiscal Charges	627,755	341,303	627,755	341,303
Total Expenses	<u>\$14,271,365</u>	<u>\$13,809,693</u>	<u>\$12,778,750</u>	<u>\$12,286,203</u>

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues and other financing sources of \$27,882,947 and expenditures of \$21,500,913.

Total governmental funds fund balance increased by \$6,382,034. The increase in fund balance for the year was most significant in the Classroom Facilities Fund. The fund balance of the Classroom Facilities Fund increased \$5,435,290 due to revenue received for the construction project.

The District should remain stable in fiscal years 2010 through 2011. However, projections beyond fiscal year 2011 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

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

Budget Highlights - General Fund

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

During the course of fiscal year 2009, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisor's flexibility for site management.

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

For the General Fund, the final budget basis revenue was \$12,603,892 representing a decrease of \$25,360 or 0.20 percent from the original budget estimate of \$12,629,252. For the General Fund, the final budget basis expenditures were \$11,749,982 representing an increase of \$842,109 or 7.72 percent from the original budget expenditures of \$10,907,873.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$22.0 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$12.5 million. Table 4 shows fiscal year 2009 balances compared to fiscal year 2008.

Table 4
Capital Assets & Accumulated Depreciation at Year End

	Governmental Activities	
	2009	2008
<i>Nondepreciable Capital Assets:</i>		
Land	\$595,953	\$595,953
Construction in Progress	1,119,375	0
<i>Depreciable Capital Assets:</i>		
Land Improvements	1,027,048	1,027,048
Buildings and Improvements	17,041,118	17,041,118
Furniture, Fixtures and Equipment	586,048	591,266
Vehicles	860,301	700,492
Library and Textbooks	770,652	770,652
<i>Total Capital Assets</i>	<u>22,000,495</u>	<u>20,726,529</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements	(694,660)	(673,094)
Buildings and Improvements	(10,015,509)	(9,659,824)
Furniture, Fixtures and Equipment	(484,854)	(473,078)
Vehicles	(542,825)	(479,042)
Library and Textbooks	(786,582)	(744,759)
<i>Total Accumulated Depreciation</i>	<u>(12,524,430)</u>	<u>(12,029,797)</u>
Capital Assets, Net	<u>\$9,476,065</u>	<u>\$8,696,732</u>

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

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

Debt Administration

At June 30, 2009, the District had \$12,454,996 in general obligation debt outstanding with \$610,000 due within one year. Table 5 summarizes bonds outstanding for fiscal year 2009 compared to fiscal year 2008.

Table 5
Outstanding Debt, Governmental Activities at Year End

<u>Purpose</u>	<u>2009</u>	<u>2008</u>
Remodeling Bonds	\$135,000	\$270,000
Renovation Bonds	6,320,000	6,655,000
Construction Bonds	5,999,996	0
Bond Anticipation Note	0	6,000,000
Total	<u>\$12,454,996</u>	<u>\$12,925,000</u>

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

Current Issues

Although considered a mid-wealth district, Liberty Union-Thurston Local School District is financially stable, and has been over the past several years. As indicated in the preceding financial information, the District is dependent on property taxes. Property tax revenue does not increase solely as a result of inflation. The District also has two income tax issues. A 1.25% issue was passed in May, 1991 and the second issue was passed in May, 2005. They generate about \$2,500,000 per year. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning has permitted the District to provide a quality education for our students.

As indicated in the preceding financial information, the District relies on the State's foundation program for nearly half of their funding. In the spring of 2002, the Ohio Supreme Court issued its fourth split decision regarding the State's school funding plan. The majority opinion identified aspects of the current plan that require modification if the plan is to be considered constitutional. However, in December of 2002 the Court again ruled in a split decision that the State's plan was not acceptable. The Ohio Supreme Court now has two new Justices and the new court may be called upon to address the issue. At this time there can be no reasonable estimate of the decision or its impact on school funding.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

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

The State of Ohio is in an economic recession. The state biennium budget that was signed by Governor Strickland made education a priority and education was spared deep budget cuts extended to other state agencies. The budget was balanced assuming approximately \$900 million dollars of revenue would be generated by the placement of video lottery terminals in Ohio's seven race tracks. The placement of these machines has been blocked; therefore, this revenue will not be generated during the current budget. Legislation has been proposed that would "freeze" a 4.2% Ohio Income Tax rate reduction in the current taxing year. This revenue would be used to replace the funds proposed from video lottery terminals. If the rate reduction is not approved, it is inevitable that additional state budget reductions will occur. Education funding will not be spared if additional state budget cuts are required. The District will continue to rely on conservative financial planning and cost containment while pursuing new revenue sources.

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

Residential growth has not eluded the District over the past few years. Increasing numbers of housing developments are being approved by the townships. The new developments are attracting young families to the area as evidenced by the residential permits issued in the townships. Residential/agricultural property contributes 95 percent of the District's real estate valuation.

The District voters approved an income tax levy of 0.5 percent in May 2005. This levy is to offset the lack of state funding. This levy is in addition to the 1.25 percent income tax assessed in previous years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information contact Dave Butler, Treasurer of Liberty Union-Thurston Local School Board of Education, 621 Washington Street, Baltimore, Ohio 43105.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$19,614,416
Cash and Cash Equivalents with Fiscal Agents	1,264,097
Property Taxes Receivable	4,221,040
Income Taxes Receivable	869,385
Accounts Receivable	68,687
Intergovernmental Receivable	10,833,291
Inventory Held for Resale	8,308
Deferred Charges	93,598
Nondepreciable Capital Assets	1,715,328
Depreciable Capital Assets, Net	<u>7,760,737</u>
<i>Total Assets</i>	<u>46,448,887</u>
<u>Liabilities:</u>	
Accounts Payable	301,468
Accrued Wages and Benefits	1,022,238
Intergovernmental Payable	376,572
Accrued Interest Payable	131,141
Deferred Revenue	3,409,943
Claims Payable	244,397
<i>Long-Term Liabilities:</i>	
Due within One Year	729,599
Due in More Than One Year	<u>12,947,000</u>
<i>Total Liabilities</i>	<u>19,162,358</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	2,854,603
<i>Restricted for:</i>	
Capital Outlay	18,579,114
Debt Service	986,109
Other Purposes	338,488
Unrestricted	<u>4,528,215</u>
<i>Total Net Assets</i>	<u><u>\$27,286,529</u></u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>	<u>Expenses</u>		
<i>Instruction:</i>			
Regular	\$5,723,201	\$0	(\$5,603,975)
Special	1,517,220	0	(1,073,321)
Vocational	404,058	0	(404,058)
Other	88,713	0	(88,713)
<i>Support Services:</i>			
Pupils	657,730	0	(649,298)
Instructional Staff	633,078	0	(614,652)
Board of Education	117,910	0	(117,910)
Administration	967,288	14,772	(936,439)
Fiscal	429,752	0	(429,752)
Operation and Maintenance of Plant	1,390,877	0	(1,390,877)
Pupil Transportation	655,962	0	(655,962)
Operation of Non-Instructional Services	449,240	340,550	59,522
Extracurricular Activities	608,581	258,648	(245,560)
Interest and Fiscal Charges	627,755	0	(627,755)
<i>Total Governmental Activities</i>	<u>\$14,271,365</u>	<u>\$613,970</u>	<u>(12,778,750)</u>
 <u>General Revenues:</u>			
<i>Property Taxes Levied for:</i>			
General Purposes			2,982,999
Debt Service			960,950
Capital Outlay			73,192
Income Taxes			2,839,770
Grants and Entitlements not Restricted to Specific Programs			23,490,393
Unrestricted Tuition and Fees			377,973
Investment Earnings			284,255
Miscellaneous			101,082
<i>Total General Revenues</i>			<u>31,110,614</u>
Change in Net Assets			18,331,864
<i>Net Assets at Beginning of Year</i>			<u>8,954,665</u>
<i>Net Assets at End of Year</i>			<u>\$27,286,529</u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2009*

	General	Classroom Facilities	Building	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>						
Equity in Pooled Cash and Cash Equivalents	\$4,163,238	\$10,872,858	\$3,000,692	\$907,294	\$623,542	\$19,567,624
Property Taxes Receivable	3,009,390	0	0	1,070,534	141,116	4,221,040
Income Taxes Receivable	869,385	0	0	0	0	869,385
Accounts Receivable	39,927	27,438	0	0	1,322	68,687
Intergovernmental Receivable	0	10,822,529	0	0	10,762	10,833,291
Inventory Held for Resale	0	0	0	0	8,308	8,308
<i>Total Assets</i>	<u>\$8,081,940</u>	<u>\$21,722,825</u>	<u>\$3,000,692</u>	<u>\$1,977,828</u>	<u>\$785,050</u>	<u>\$35,568,335</u>
<u>Liabilities and Fund Balances:</u>						
<u>Liabilities:</u>						
Accounts Payable	\$87,137	\$197,631	\$0	\$0	\$16,700	\$301,468
Accrued Wages and Benefits	963,570	0	0	0	58,668	1,022,238
Intergovernmental Payable	350,552	0	0	0	26,020	376,572
Deferred Revenue	2,654,118	10,822,529	0	941,113	132,252	14,550,012
<i>Total Liabilities</i>	<u>4,055,377</u>	<u>11,020,160</u>	<u>0</u>	<u>941,113</u>	<u>233,640</u>	<u>16,250,290</u>
<u>Fund Balances:</u>						
Reserved for Encumbrances	0	834,192	1,926	0	17,067	853,185
Reserved for Property Taxes	355,272	0	0	129,421	8,864	493,557
<i>Unreserved, Undesignated, Reported in:</i>			0			
General Fund	3,671,291	0	0	0	0	3,671,291
Special Revenue Funds	0	0	0	0	461,592	461,592
Debt Service Fund	0	0	0	907,294	0	907,294
Capital Projects Funds	0	9,868,473	2,998,766	0	63,887	12,931,126
<i>Total Fund Balances</i>	<u>4,026,563</u>	<u>10,702,665</u>	<u>3,000,692</u>	<u>1,036,715</u>	<u>551,410</u>	<u>19,318,045</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,081,940</u>	<u>\$21,722,825</u>	<u>\$3,000,692</u>	<u>\$1,977,828</u>	<u>\$785,050</u>	<u>\$35,568,335</u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

Reconciliation of Total Governmental Fund Balances to

Net Assets of Governmental Activities

June 30, 2009

Total Governmental Funds Balances			\$19,318,045
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			9,476,065
Some of the District's receivables will be collected after fiscal year-end, however are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:			
Property taxes		317,540	
Intergovernmental		10,822,529	
Total			11,140,069
Unamortized issuance costs represent deferred charges which do not provide current financial resources and are therefore not reported in the funds.			93,598
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:			
General obligation bonds		(11,830,000)	
Capital appreciation bonds		(624,996)	
Accretion on Capital Appreciation Bonds		(15,991)	
Accrued interest on bonds		(131,141)	
Capital leases		(73,034)	
Premiums on bonds		(187,026)	
Compensated absences		(945,552)	
Total liabilities not reported in funds			(13,807,740)
Internal service funds are used by management to charge the costs of insurance to individual funds and accounts for rotary services. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			1,066,492
<i>Net Assets of Governmental Activities</i>			<u>\$27,286,529</u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2009

	General	Classroom Facilities	Building	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Property Taxes	\$2,941,776	\$0	\$0	\$926,251	\$64,339	\$3,932,366
Income Taxes	2,839,770	0	0	0	0	2,839,770
Intergovernmental	6,180,434	6,326,571	0	128,144	790,910	13,426,059
Investment Earnings	95,063	123,956	64,660	0	576	284,255
Tuition and Fees	350,535	27,438	0	0	1,431	379,404
Extracurricular Activities	0	0	0	0	271,989	271,989
Rent	1,610	0	0	0	0	1,610
Gifts and Donations	57,076	0	0	0	63,374	120,450
Charges for Services	0	0	0	0	340,550	340,550
Miscellaneous	67,793	0	0	0	30,204	97,997
<i>Total Revenues</i>	<u>12,534,057</u>	<u>6,477,965</u>	<u>64,660</u>	<u>1,054,395</u>	<u>1,563,373</u>	<u>21,694,450</u>
<u>Expenditures:</u>						
<i>Current:</i>						
<i>Instruction:</i>						
Regular	5,150,703	0	0	0	112,995	5,263,698
Special	1,105,580	0	0	0	436,569	1,542,149
Vocational	396,778	0	0	0	0	396,778
Student Intervention Services	87,545	0	0	0	0	87,545
<i>Support Services:</i>						
Pupils	644,356	0	0	0	8,432	652,788
Instructional Staff	577,424	0	0	0	18,426	595,850
Board of Education	117,817	0	0	0	0	117,817
Administration	946,508	0	0	0	57,849	1,004,357
Fiscal	444,637	0	0	16,945	1,190	462,772
Operation and Maintenance of Plant	1,353,672	0	0	0	10,713	1,364,385
Pupil Transportation	729,957	0	0	0	0	729,957
Operation of Non-Instructional Services	1,676	0	0	0	437,084	438,760
Extracurricular Activities	271,311	0	0	0	326,656	597,967
Capital Outlay	0	1,132,675	1,074	0	0	1,133,749
<i>Debt Service:</i>						
Principal Retirement	17,188	0	0	6,470,000	0	6,487,188
Interest and Fiscal Charges	7,010	0	0	524,545	0	531,555
Bond Issuance Costs	0	0	0	93,598	0	93,598
<i>Total Expenditures</i>	<u>11,852,162</u>	<u>1,132,675</u>	<u>1,074</u>	<u>7,105,088</u>	<u>1,409,914</u>	<u>21,500,913</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	681,895	5,345,290	63,586	(6,050,693)	153,459	193,537
<u>Other Financing Sources (Uses):</u>						
Proceeds from the Sale of Assets	1,475	0	0	0	0	1,475
General Obligation Bonds Issued	0	0	0	5,999,996	0	5,999,996
Premium on Debt Issuance	0	0	0	187,026	0	187,026
<i>Total Other Financing Sources (Uses)</i>	<u>1,475</u>	<u>0</u>	<u>0</u>	<u>6,187,022</u>	<u>0</u>	<u>6,188,497</u>
<i>Net Change in Fund Balances</i>	683,370	5,345,290	63,586	136,329	153,459	6,382,034
<i>Fund Balances at Beginning of Year</i>	<u>3,343,193</u>	<u>5,357,375</u>	<u>2,937,106</u>	<u>900,386</u>	<u>397,951</u>	<u>12,936,011</u>
<i>Fund Balances at End of Year</i>	<u>\$4,026,563</u>	<u>\$10,702,665</u>	<u>\$3,000,692</u>	<u>\$1,036,715</u>	<u>\$551,410</u>	<u>\$19,318,045</u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2009*

Net Change in Fund Balances - Total Governmental Funds \$6,382,034

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 779,333

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:

Property taxes	84,775	
Intergovernmental	10,822,529	
Total		10,907,304

Bond issuance costs are reported as expenditures in the governmental funds when due, but in the statement of activities these costs are accrued as deferred charges. 93,598

Repayment of bond principal and premium and capital lease payments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 6,487,188

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (80,209)

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from bonds issued, including a premium of \$187,026. (6,187,022)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences	74,084	
Accretion on capital appreciation bonds	(15,991)	
Total		58,093

The internal service funds used by management to charge the cost of insurance to individual funds and account for rotary services are not reported in the government-wide statement of activities. Governmental expenditures and the related internal service funds revenue are eliminated. The net revenue (expense) of the internal service funds is allocated among activities. (108,455)

Change in Net Assets of Governmental Activities \$18,331,864

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$2,903,786	\$2,935,487	\$2,935,487	\$0
Income Taxes	2,984,725	2,939,854	2,939,854	0
Intergovernmental	6,088,352	6,180,434	6,180,434	0
Investment Earnings	169,901	90,572	95,063	4,491
Tuition and Fees	314,940	334,923	334,964	41
Rent	2,745	1,610	1,610	0
Gifts and Donations	70,984	57,076	57,076	0
Miscellaneous	92,344	62,461	67,793	5,332
<i>Total Revenues</i>	<u>12,627,777</u>	<u>12,602,417</u>	<u>12,612,281</u>	<u>9,864</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	4,822,083	5,140,552	5,140,552	0
Special	854,297	1,034,079	1,034,079	0
Vocational	406,776	391,339	391,339	0
Student Intervention Services	61,243	103,361	103,361	0
<i>Support Services:</i>				
Pupils	567,695	629,016	629,016	0
Instructional Staff	509,557	573,295	573,295	0
Board of Education	82,166	128,150	128,150	0
Administration	933,863	966,995	966,995	0
Fiscal	405,655	441,276	441,276	0
Operation and Maintenance of Plant	1,391,598	1,345,811	1,345,811	0
Pupil Transportation	633,055	712,440	712,440	0
Operation of Non-Instructional Services	267	1,673	1,673	0
Extracurricular Activities	239,618	272,855	272,855	0
Capital Outlay	0	9,140	9,140	0
<i>Total Expenditures</i>	<u>10,907,873</u>	<u>11,749,982</u>	<u>11,749,982</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,719,904	852,435	862,299	9,864
<u>Other Financing Sources (Uses):</u>				
Proceeds from the Sale of Capital Assets	1,145	1,475	1,475	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,145</u>	<u>1,475</u>	<u>1,475</u>	<u>0</u>
Change in Fund Balances	1,721,049	853,910	863,774	9,864
<i>Fund Balance at Beginning of Year</i>	3,191,310	3,191,310	3,191,310	0
Prior Year Encumbrances Appropriated	83,744	83,744	83,744	0
<i>Fund Balance at End of Year</i>	<u>\$4,996,103</u>	<u>\$4,128,964</u>	<u>\$4,138,828</u>	<u>\$9,864</u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

Statement of Net Assets

Proprietary Funds

June 30, 2009

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
<u>Assets:</u>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$46,792
Cash and Cash Equivalents with Fiscal Agents	<u>1,264,097</u>
<i>Total Assets</i>	<u>1,310,889</u>
<u>Liabilities:</u>	
<i>Current Liabilities:</i>	
Claims Payable	<u>244,397</u>
<u>Net Assets:</u>	
Unrestricted	<u><u>\$1,066,492</u></u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009*

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
<u>Operating Revenues:</u>	
Charges for Services	\$1,309,554
Other Revenues	<u>4,328</u>
<i>Total Operating Revenues</i>	<u>1,313,882</u>
<u>Operating Expenses:</u>	
Purchased Services	46,033
Materials and Supplies	10,659
Claims	<u>1,365,645</u>
<i>Total Operating Expenses</i>	<u>1,422,337</u>
<i>Change in Net Assets</i>	(108,455)
<i>Net Assets at Beginning of Year</i>	<u>1,174,947</u>
<i>Net Assets at End of Year</i>	<u><u>\$1,066,492</u></u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2009

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Services Provided	\$1,309,554
Other Cash Receipts	4,328
Cash Payments for Goods and Services	(56,692)
Cash Payments for Claims	<u>(1,254,743)</u>
<i>Net Cash from Operating Activities</i>	<u>2,447</u>
<i>Net Increase in Cash and Cash Equivalents</i>	2,447
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>1,308,442</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$1,310,889</u></u>
<u>Reconciliation of Operating Loss to Net Cash from Operating Activities:</u>	
Operating Loss	(\$108,455)
<u>Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities:</u>	
<i>Increase in Liabilities:</i>	
Claims Payable	<u>110,902</u>
<i>Net Cash from Operating Activities</i>	<u><u>\$2,447</u></u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2009

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,240,381</u>
<u>Liabilities:</u>	
Undistributed Monies	4,180,501
Due to Students	<u>59,880</u>
<i>Total Liabilities</i>	<u><u>\$4,240,381</u></u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Liberty Union-Thurston Local School District (the District) is a body politic and corporate organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District is a local school district as defined by Ohio Revised Code Section 3311.03. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established through the consolidation of existing land areas and school districts. It is staffed by 49 non-certificated employees, 89 certificated full-time teaching personnel and 6 administrative employees who provide services to 1,406 students and other community members.

Reporting Entity

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

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

The District is associated with four jointly governed organizations: the Metropolitan Educational Council, the South Central Ohio Insurance Consortium, the Fairfield County Council for Educational Collaboration and the Central Ohio Special Education Regional Resource Center. The District is also associated with one insurance purchasing pool: Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 18 and 19 to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 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. The more significant of the District's accounting policies are described below.

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District fall within three categories: governmental, proprietary and fiduciary.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental 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 following are the District's four major governmental funds:

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

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

Building Fund- This fund is used to account for the receipts and expenditures related to all special bond funds in the District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

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

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

Proprietary Fund

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

Fiduciary Funds

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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 also been reported as deferred revenue.

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

During the fiscal year 2009, the District's investments were limited to federal agency securities, repurchase agreements and the State Treasury Asset Reserve of Ohio (STAROhio). Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. Non-participating investment contracts such as certificates of deposit and repurchase agreements are reported at cost. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$95,063, which includes \$42,228 assigned from other District funds.

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

F. Inventory

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

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

G. Capital Assets

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

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

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

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

H. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who are eligible to receive termination benefits based on School Employees Retirement System and State Teachers Retirement System retirement criteria.

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

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

I. Accrued Liabilities and Long-Term Liabilities

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

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

J. Net Assets

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The District has \$19,903,711 of restricted net assets, of which none is restricted by enabling legislation.

K. Fund Balance Reserves

The District reserves those portions of fund balance 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 appropriations under State statute.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the self-insurance service that is the primary activity of that fund.

M. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

N. Budgetary Process

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2009.

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

NOTE 3- NEW GASB PRONOUNCEMENTS

For fiscal year 2009, the District implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", and GASB No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards". The implementation of GASB Statements No. 52, 55 and 56 had no effect on the disclosure requirements and there was no effect on the prior period fund balances of the District.

NOTE 4 - ACCOUNTABILITY

The following fund had a deficit fund balance as of June 30, 2009:

	<u>Deficit Fund Balance</u>
<i>Nonmajor Governmental Funds:</i>	
Improving Teacher Quality	\$23

The deficit in this fund is the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur. This deficit does not exist on the cash basis.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

<u>Net Change in Fund Balance</u>	
Budget Basis	\$863,774
<i>Adjustments:</i>	
Revenue Accruals	(78,224)
Expenditure Accruals	(121,582)
Encumbrances	19,402
GAAP Basis	<u>\$683,370</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

At June 30, 2008, the carrying amount of all District deposits was \$3,875,149, includes \$1,264,097 cash with fiscal agent. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2009, \$2,053,028 of the District's bank balance of \$2,803,028 was exposed to custodial risk as discussed above while \$750,000 was covered by Federal Deposit Insurance. The \$2,053,028 exposed to custodial risk was collateralized with securities held by the District or its agent in the District's name.

Investments: As of June 30, 2009, the District had the following investments and maturities:

Investment Type	Fair Value	One Year or Less	More Than One Year
Federal Agency Securities	\$7,195,090	\$0	\$7,195,090
Repurchase Agreements	10,035,529	10,035,529	0
STAROhio	4,013,126	4,013,126	0
Totals	<u>\$21,243,745</u>	<u>\$14,048,655</u>	<u>\$7,195,090</u>

Repurchase Agreements: State statutes permit the District to enter into repurchase agreements. All sales of investments under repurchase agreements are for fixed terms. In investing the proceeds of repurchase agreements, District policy is for the term to maturity of the investment to be the same as the term of the repurchase agreement. Such matching existed at year-end.

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

Credit Risk: The District's investments in the Federal Agency Securities was rated AAA by Standard and Poor's and Fitch Ratings, and Aaa by Moody's Investors Service. Standard and Poor's has assigned STAROhio an "AAAm" money market rating. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's money market funds were not rated.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Of the District's \$10,035,529 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counter party, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principle value of securities subject to repurchase agreement by 2%. District policy provides that investment collateral is held by the counter party's trust department or agent, and may be held in the name of the District or not.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. Federal Agency Securities comprised 33.87% of the District's investments, Repurchase Agreements comprised 47.24% of the District's investments and STAROhio comprised 18.89% of the District's investments. The District's policy does not specifically address concentration of credit risk.

NOTE 7 - SCHOOL INCOME TAX

The District currently benefits from a 1.75% income tax which is assessed on all residents of the District. In the year ended June 30, 2009, the income tax generated \$2,839,770 in revenue. The District apportions all the proceeds to the General Fund.

NOTE 8 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31, of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property tax revenue received in calendar year 2008 (other than public utility property tax) represents the collection of calendar year 2008 taxes. Tangible personal property tax revenue received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out - the assessed percentage for property including inventory for 2006 was 18.75 percent. This was reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

Real property taxes are paid by taxpayers annually or semi-annually. If paid annually, payment is due December 31, unless extended; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20, unless extended. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 8 - PROPERTY TAXES - (Continued)

The District receives property taxes from Fairfield County. The Fairfield County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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 the June 2009 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2009. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2009 was \$493,557 and is recognized as revenue. Of this total amount, \$355,272 was available to the General Fund \$8,864 was available to the Classroom Facilities Maintenance Nonmajor Governmental Fund and \$129,421 was available for the Bond Retirement Debt Service 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 and Other Real Estate	\$152,022,840	95.28%	\$154,315,150	96.34%
Public Utility Personal	5,797,150	3.63%	5,864,150	3.66%
Tangible Personal Property	1,738,545	1.09%	0	0.00%
Total Assessed Value	<u>\$159,558,535</u>	<u>100.00%</u>	<u>\$160,179,300</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$45.50		\$49.50

NOTE 9 - RECEIVABLES

Receivables at June 30, 2009 consisted of property taxes, income taxes, grants and accounts receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of Intergovernmental receivables follows:

Governmental Activities:	
Classroom Facilities Fund	\$10,822,529
Nonmajor Governmental Fund:	
Title I	10,762
Total Intergovernmental Receivable	<u>\$10,833,291</u>

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 10 - CAPITAL ASSETS

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

<u>Asset Category</u>	<u>Balance at July 1, 2008</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance at June 30, 2009</u>
Nondepreciable Capital Assets:				
Land	\$595,953	\$0	\$0	\$595,953
Construction in Progress	0	1,119,375	0	1,119,375
Depreciable Capital Assets:				
Land Improvements	1,027,048	0	0	1,027,048
Buildings and Improvements	17,041,118	0	0	17,041,118
Furniture, Fixtures and Equipment	591,266	5,036	(10,254)	586,048
Vehicles	700,492	159,809	0	860,301
Library and Textbooks	770,652	0	0	770,652
Total Depreciable Capital Assets	20,130,576	164,845	(10,254)	20,285,167
Total Capital Assets	20,726,529	1,284,220	(10,254)	22,000,495
Accumulated Depreciation:				
Land Improvements	(673,094)	(21,566)	0	(694,660)
Buildings and Improvements	(9,659,824)	(371,615)	0	(10,031,439)
Furniture, Fixtures and Equipment	(473,078)	(22,030)	10,254	(484,854)
Vehicles	(479,042)	(63,783)	0	(542,825)
Library and Textbooks	(744,759)	(25,893)	0	(770,652)
Total Accumulated Depreciation	(12,029,797)	(504,887)	10,254	(12,524,430)
Total Net Capital Assets	<u>\$8,696,732</u>	<u>\$779,333</u>	<u>\$0</u>	<u>\$9,476,065</u>

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follow:

Instruction:	
Regular	\$388,378
Vocational	269
Support Services:	
Instructional Staff	29,172
Administration	2,031
Operation and Maintenance of Plant	3,283
Pupil Transportation	63,783
Operation of Non-Instructional Services	5,840
Extracurricular Activities	12,131
	<hr/>
Total Depreciation Expense	<u><u>\$504,887</u></u>

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2009, the District contracted with Ohio Casualty for property and fleet insurance, liability insurance, and public officials bonds. Coverages provided are as follows:

Building/Contents (\$1,000 deductible)	\$28,744,199
Inland Marine (\$1,000 deductible)	28,744,199
Automobile Liability (\$250 deductible)	
Per Occurance	5,000
Per Accident	1,000,000
General Liability:	
Per Occurance	1,000,000
Aggregate Limit	3,000,000
Public Officials Bonds:	
Treasurer	25,000
Superintendent/Board President (each)	20,000

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 11 - RISK MANAGEMENT - (Continued)

For fiscal year 2009, the District participated in the Ohio School Boards Association Worker's Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

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

Premiums are paid to the South Central Ohio Insurance Consortium Fund from the Self Insurance Fund of the District. The cash balance with the fiscal agent at June 30, 2009, was \$1,264,097. Claims payments are made on an as-incurred basis by the third party administrator, with the balance of contributions remaining with the Fiscal Agent of the Consortium.

The member districts are self insured for medical, dental and pharmacy benefits. The risk for medical, dental and pharmacy benefits remains with the member districts. The claims payable will be reported for medical, dental and pharmacy claims as of June 30, 2009, and cash with fiscal agent for the balance of funds held by the Consortium that covers medical, dental and pharmacy claims will be reported.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 11 - RISK MANAGEMENT - (Continued)

The claims liability of \$244,397 reported at June 30, 2009 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 as amended by GASB 30 which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2008	\$3,695	\$1,133,514	\$1,003,714	\$133,495
2009	133,495	1,365,645	1,254,743	244,397

NOTE 12 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of the 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, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$158,215, \$163,863, and \$174,890, respectively; 50.0 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007. \$79,109 representing the unpaid contribution for fiscal year 2009, is recorded as a liability in the appropriate funds.

State Teachers Retirement System

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$694,449, \$719,566, and \$718,097, respectively; 83.04 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007. \$117,802 representing the unpaid contribution for fiscal year 2009, is recorded as a liability in the appropriate funds.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, no members of the Board of Education have elected Social Security.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007. The 14 percent contribution is the maximum rate allowed under Ohio law.

All STRS benefit recipients pay a portion of the health care cost in the form of a monthly premium. The Districts' contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$53,419, \$55,351, and \$55,238 respectively; 100 percent has been contributed for years 2009, 2008, and 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.7 billion at June 30, 2008 (the latest information year available). For the year ended June 30, 2008, net health care costs paid by STRS were \$288,878,000 and STRS had 126,506 eligible benefit recipients.

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

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

The Medicare B plan - reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75%. Liberty Union Local School District's contributions for the years ended June 30, 2009, 2008 and 2007 were, \$1,688, \$1,542, \$1,574, respectively, which equaled the required contributions each year.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. Liberty Union Local School District's contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$91,808, \$93,145, and \$79,928, respectively.

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

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

NOTE 14 - EMPLOYEE BENEFITS

Compensated Absences

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

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

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 14 - EMPLOYEE BENEFITS - (Continued)

Health and Prescription Drug Insurance

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

Claim liabilities for the consortium at June 30, 2009 are reported by the individual member entities. Members include the following school districts and governmental entities:

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

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 15 - LONG-TERM LIABILITIES

The changes in the District's long-term liabilities during fiscal year 2009 were as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding at July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding at June 30, 2009</u>	<u>Amount Due In One Year</u>
<i>Governmental Activities:</i>							
Remodeling Bonds	1986	7.50%	\$270,000	\$0	\$135,000	\$135,000	\$135,000
Renovation Bonds	2002	4.35%	6,655,000	0	335,000	6,320,000	360,000
Bond Anticipation Note	2008	2.625%	6,000,000	0	6,000,000	0	0
Construction Bonds Term Bonds	2009	4.270%	0	5,375,000	0	5,375,000	115,000
Capital Appreciation Bonds			0	624,996	0	624,996	0
Accretion on Capital Appreciation Bonds			0	15,991	0	15,991	0
Total General Obligation Debt			12,925,000	6,015,987	6,470,000	12,470,987	610,000
Premium on Bonds Issued		N/A	0	187,026	0	187,026	10,390
Compensated Absences Payable			1,019,636	290,271	364,355	945,552	90,501
Capital Leases Payable			90,222	0	17,188	73,034	18,708
Total Governmental Activities Long-Term Obligations			<u>\$14,034,858</u>	<u>\$6,493,284</u>	<u>\$6,851,543</u>	<u>\$13,676,599</u>	<u>\$729,599</u>

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 15 - LONG-TERM LIABILITIES - (Continued)

In 1986, general obligation bonds were issued for the purpose of remodeling and equipping the high school and general district remodeling. The bonds were issued for \$3,105,000 at 7.5% interest and mature in December 2009. These bonds will be paid from the Bond Retirement Debt Service Fund using property tax revenues.

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

On April 30, 2008, the District issued a \$6,000,000 bond anticipation note. This debt was issued by the Classroom Facilities Fund for the District's portion of the Ohio School Facilities Commission Project. This note was repaid during fiscal year 2009.

The capital appreciation bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity. The capital appreciation bonds will mature in fiscal years 2018, 2019, and 2020. The maturity of the bonds is \$1,225,000. For fiscal year 2009, \$15,991 was accreted on the capital appreciation bonds.

On September 10, 2008, the District issued general obligation bonds of \$6,000,000 with an interest rate of 4.27 percent to payoff the Bond Anticipation Note.

General obligation bonds were issued as a result of the District being approved for the school facilities funding through the State Department of Education. The District issued the general obligation bonds to provide a partial cash match to the school facilities funding. As a requirement of the school facilities funding program, the District passed a 2.80 mill levy. Of the 2.80 mill levy, 2.3 mills is used for the retirement of the bonds that were issued and are in effect for eighteen years. The remaining .5 mill is used for repairs and maintenance of the facility.

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

The District's overall legal debt margin was \$1,961,141 unvoted debt margin of \$160,179 at June 30, 2009.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 15 - LONG-TERM LIABILITIES - (Continued)

The annual requirements to retire the general obligation remodeling and renovation bonds outstanding at June 30, 2009, are as follows:

Fiscal Year Ending June 30,	Remodeling Bonds		Renovation Bonds		Construction Bonds			Total
	Principal	Interest	Principal	Interest	Term Bonds Principal	Capital Appreciation Bonds Principal	Interest	
2010	\$135,000	\$5,063	\$360,000	\$267,688	\$115,000	\$0	\$256,902	\$1,139,653
2011	0	0	385,000	255,341	205,000	0	206,266	1,051,607
2012	0	0	435,000	240,959	215,000	0	200,116	1,091,075
2013	0	0	465,000	224,472	230,000	0	193,666	1,113,138
2014	0	0	495,000	206,341	280,000	0	186,766	1,168,107
2015-2019	0	0	2,995,000	671,369	980,000	805,000	786,356	6,237,725
2020-2024	0	0	1,185,000	54,375	1,890,000	420,000	602,803	4,152,178
2025-2027	0	0	0	0	1,460,000	0	117,390	\$1,577,390
Total Debt Payments	<u>\$135,000</u>	<u>\$5,063</u>	<u>\$6,320,000</u>	<u>\$1,920,545</u>	<u>\$5,375,000</u>	<u>\$1,225,000</u>	<u>\$2,550,265</u>	<u>\$17,530,873</u>

The \$73,034 of outstanding capital leases payable relates to the lease/purchase of copiers.

NOTE 16 - CAPITAL LEASES

The following is a schedule of the future minimum lease payment required under the capital leases and the present value of the minimum lease payment as of June 30, 2009:

Fiscal Year Ending June 30,	Capital Leases Payments
2010	\$24,198
2011	24,198
2012	24,198
2013	12,098
Total Future Minimum Lease Payments	84,692
Amount Representing Interest	(11,658)
Present Value of Future Minimum Lease Payments	<u>\$73,034</u>

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 17 - STATUTORY SET-ASIDES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-Aside Reserve Balance as of June 30, 2008	(\$844,138)	\$0
Current Year Set-Aside Requirement	234,841	234,841
Qualifying Disbursements	(459,901)	(502,305)
Totals	<u>(\$1,069,198)</u>	<u>(\$267,464)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$1,069,198)</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2009	<u>\$0</u>	<u>\$0</u>

The District had qualifying disbursements during the fiscal year that reduced the set-aside amounts below zero. The excess disbursements for the textbook set-aside may be used to reduce set-aside requirements in future years, however, the excess disbursements for the capital acquisition set-aside may not. The total reserve balance for the set-asides at the end of the fiscal year was zero.

NOTE 18 - JOINTLY GOVERNED ORGANIZATION

Metropolitan Educational Council

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

South Central Ohio Insurance Consortium

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 18 - JOINTLY GOVERNED ORGANIZATION - (Continued)

Fairfield County Council for Education Collaboration

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

Central Ohio Special Education Regional Resource Center

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

NOTE 19 - INSURANCE PURCHASING POOL

Ohio School Boards Association Worker's Compensation Group Rating Program

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

NOTE 20 - CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

Litigation

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 21 - CONTRACTUAL COMMITMENTS

As of June 30, 2009, the District had contractual commitments related to the construction of new facilities. The amount for each contractor is as follows:

<u>Contractor</u>	<u>Purchase Commitments</u>	<u>Amounts Paid as of June 30, 2009</u>	<u>Amounts Remaining on Contracts</u>
Feinkopf, Macioce, Schappa	\$1,282,300	\$697,251	\$585,049
Stan Eng.	57,933	17,724	40,209
Four Seasons	16,520	0	16,520
Total	<u>\$1,356,753</u>	<u>\$714,975</u>	<u>\$641,778</u>

SUPPLEMENTARY DATA

**LIBERTY UNION THURSTON LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Nutrition Grant Cluster:				
(C) (D) School Breakfast Program	10.553	2009	\$ 29,371	\$ 29,371
Total School Breakfast Program			<u>29,371</u>	<u>29,371</u>
(C) (D) National School Lunch Program	10.555	2009	136,931	136,931
(D) (E) National School Lunch Program - Food Donation	10.555	2009	54,854	54,854
Total National School Lunch Program			<u>191,785</u>	<u>191,785</u>
Total U.S. Department of Agriculture and Nutrition Grant Cluster			<u>221,156</u>	<u>221,156</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2008	2,050	5,651
Title I Grants to Local Educational Agencies	84.010	2009	148,285	133,213
Total Title I Grants to Local Educational Agencies			<u>150,335</u>	<u>138,864</u>
Special Education_Grants to States	84.027	2009	213,310	213,310
Total Special Education _Grants to States			<u>213,310</u>	<u>213,310</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	3,432	3,432
Total Safe and Drug-Free Schools and Communities_State Grants			<u>3,432</u>	<u>3,432</u>
State Grants for Innovative Programs	84.298	2009	990	990
Total State Grants for Innovative Programs			<u>990</u>	<u>990</u>
Education Technology State Grants	84.318	2009	1,106	1,106
Total Educational Technology State Grants			<u>1,106</u>	<u>1,106</u>
Improving Teacher Quality State Grants	84.367	2008	5,924	13,124
Improving Teacher Quality State Grants	84.367	2009	17,338	17,338
Total Improving Teacher Quality State Grants			<u>23,262</u>	<u>30,462</u>
Total U.S. Department of Education			<u>392,435</u>	<u>388,164</u>
Total Federal Financial Assistance			<u>\$ 613,591</u>	<u>\$ 609,320</u>

- (A) OAKS did not assign pass-through numbers for fiscal year 2009.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the fair value.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
Liberty Union-Thurston Local School District
621 Washington Street
Baltimore, Ohio 43105

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Union-Thurston Local School District, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise Liberty Union-Thurston Local School District's basic financial statements and have issued our report thereon dated December 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Liberty Union-Thurston Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Liberty Union-Thurston Local School District's financial statements that is more than inconsequential will not be prevented or detected by Liberty Union-Thurston Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Liberty Union-Thurston Local School District's internal control.

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

Board of Education
Liberty Union-Thurston Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Liberty Union-Thurston Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Board of Education of Liberty Union-Thurston Local School District, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
December 15, 2009



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**Report on Compliance With Requirements Applicable to Each
Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

Board of Education
Liberty Union-Thurston Local School District
621 Washington Street
Baltimore, Ohio 43105

Compliance

We have audited the compliance of Liberty Union-Thurston Local School District, Fairfield County, Ohio with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009. Liberty Union-Thurston Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of Liberty Union-Thurston Local School District's management. Our responsibility is to express an opinion on Liberty Union-Thurston Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Liberty Union-Thurston Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Liberty Union-Thurston Local School District's compliance with those requirements.

In our opinion, Liberty Union-Thurston Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009.

Internal Control Over Compliance

The management of Liberty Union-Thurston Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Liberty Union-Thurston Local School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Liberty Union-Thurston Local School District's internal control over compliance.

Board of Education
Liberty Union-Thurston Local School District

A control deficiency in Liberty Union-Thurston Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Liberty Union-Thurston Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Liberty Union-Thurston Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Liberty Union-Thurston Local School District's internal control.

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

This report is intended for the information and use of management and Board of Education of Liberty Union-Thurston Local School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
December 15, 2009

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grants to Local Educational Agencies - CFDA #84.010; Special Education - Grants to States - CFDA #84.027
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid; <i>Explain:</i>
2008-001	<u>Material Weakness/Noncompliance</u> - Cash was posted to the wrong fund.	Yes	N/A
2008-002	<u>Significant Deficiency</u> - Student activity receipts were not supported by adequate documentation.	Yes	N/A



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Liberty Union-Thurston Local School District
Fairfield County
621 Washington Street
Baltimore, Ohio 43105

To the Board of Education:

Ohio Revised 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 Ohio 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 Liberty Union-Thurston Local School District has adopted an anti-harassment policy in accordance with Ohio Revised 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 April 9, 2007.
2. We read the policy, noting it included the following requirements from Ohio Revised 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 Revised 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;
- (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 Ohio 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 of Education of Liberty Union-Thurston Local School District and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.
December 15, 2009



Mary Taylor, CPA
Auditor of State

LIBERTY-UNION-THURSTON LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 4, 2010