



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

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
FINANCIAL SECTION	
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances -All Governmental Fund Types	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual (Non-GAAP Basis)-All Governmental Fund Types	6
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Deficit -All Proprietary Fund Types	9
Combined Statement of Cash Flows -All Proprietary Fund Types	10
Notes to the General Purpose Financial Statements	11
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	37

THIS PAGE INTENTIONALLY LEFT BLANK



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Liberty Union-Thurston Local School District, Fairfield County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Liberty Union-Thurston Local School District, Fairfield County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

JIM PETRO
Auditor of State

December 21, 2001

THIS PAGE INTENTIONALLY LEFT BLANK

**Liberty Union-Thurston Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001**

	Governmental Fund Types				Proprietary Fund Type		Fiduciary Fund Type	Account Groups		Totals 2001
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum) (Only)
Assets and Other Debits:										
Equity in Pooled Cash and Investments	\$ 820,526	176,759	432,269	91,716	42,279	25,215	215,775	0	0	\$ 1,804,539
Cash in Segregated Account	0	0	0	0	0	437,267	0	0	0	437,267
Taxes Receivable	2,785,397	47,299	203,912	105,109	0	0	0	0	0	3,141,717
Intergovernmental Receivables	21,998	0	2	1	0	0	0	0	0	22,001
Accounts Receivable	7,932	598	0	0	153	4,347	1,487,895	0	0	1,500,925
Supply Inventory	0	0	0	0	1,821	0	0	0	0	1,821
Inventory for Resale	0	0	0	0	9,450	0	0	0	0	9,450
Net Property, Plant & Equipment	0	0	0	0	179,216	0	0	17,038,861	0	17,218,077
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	437,804	437,804
Amount to be Provided for Retirement of GLTD	0	0	0	0	0	0	0	0	1,946,227	1,946,227
Total Assets and Other Debits	\$ 3,635,853	224,656	636,183	196,826	232,919	466,829	1,703,670	17,038,861	2,384,031	\$ 26,519,828

(Continued)

Liberty Union-Thurston Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2001

	Governmental Fund Types				Proprietary Fund Type		Fiduciary Fund Type	Account Groups		Totals 2001
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum) (Only)
Liabilities:										
Intergovernmental Payables	\$ 147,897	2,144	0	0	9,334	0	105,637	0	61,017	\$ 326,029
Accounts Payable	63,952	3,062	0	0	300	0	688	0	0	68,002
Accrued Salaries and Benefits	739,978	20,187	0	0	20,555	0	0	0	0	780,720
Deferred Revenue	2,172,988	45,916	198,379	102,279	8,221	0	0	0	0	2,527,783
Due to Others	0	0	0	0	0	0	25,048	0	0	25,048
Claims Payable	0	0	0	0	0	25,538	1,572,297	0	0	1,597,835
Capital Leases Payable	0	0	0	0	0	0	0	0	3,533	3,533
Notes Payable	0	0	0	0	0	0	0	0	331,000	331,000
Bonds Payable	0	0	0	0	0	0	0	0	1,215,000	1,215,000
Early Retirement Incentive	100,183	0	0	0	0	0	0	0	0	100,183
Compensated Absences Payable	32,650	0	0	0	17,932	0	0	0	773,481	824,063
Total Liabilities	3,257,648	71,309	198,379	102,279	56,342	25,538	1,703,670	0	2,384,031	7,799,196
Fund Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	0	0	17,038,861	0	17,038,861
Contributed Capital	0	0	0	0	208,255	0	0	0	0	208,255
Retained Earnings	0	0	0	0	(31,678)	441,291	0	0	0	409,613
Fund Balances:										
Reserved for Future Appropriation	55,325	1,383	5,533	2,830	0	0	0	0	0	65,071
Reserved for Encumbrances	84,919	15,356	0	0	0	0	0	0	0	100,275
Unreserved Fund Balance	237,961	136,608	432,271	91,717	0	0	0	0	0	898,557
Total Fund Balances	378,205	153,347	437,804	94,547	0	0	0	0	0	1,063,903
Total Fund Balances/Retained Earnings and Other Credits	378,205	153,347	437,804	94,547	176,577	441,291	0	17,038,861	0	18,720,632
Total Liabilities, Fund Equity, and Other Credits	\$ 3,635,853	224,656	636,183	196,826	232,919	466,829	1,703,670	17,038,861	2,384,031	\$ 25,519,828

See Accompanying Notes to the General Purpose Financial Statements.

Liberty Union-Thurston Local School District
Combined Statement of Revenue, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
Year Ended June 30, 2001

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum) (Only)
REVENUES:					
Revenue from Local Sources					
Taxes	\$ 3,757,795	49,917	203,077	101,513	\$ 4,112,302
Tuition	257,098	0	0	0	257,098
Transportation Fees	2,208	0	0	0	2,208
Earnings on Investments	119,502	0	0	0	119,502
Extracurricular Activities	0	148,431	0	0	148,431
Classroom Materials & Fees	39,859	3,426	0	0	43,285
Miscellaneous	59,615	67,762	0	0	127,377
Revenue from State Sources					
Unrestricted Grants-in-Aid	4,320,219	6,192	26,049	12,845	4,365,305
Restricted Grants-in-Aid	74,302	218,943	0	205,011	498,256
Revenue for/on Behalf of District	500	0	0	0	500
Revenue from Federal Sources					
Unrestricted Grants-in-Aid	403	0	0	0	403
Restricted Grants-in-Aid	0	171,781	0	0	171,781
Total Revenue	8,631,501	666,452	229,126	319,369	9,846,448
EXPENDITURES:					
Instruction					
Regular Instruction	4,441,173	116,953	0	53,500	4,611,626
Special Instruction	554,884	178,461	0	0	733,345
Vocational Instruction/Other Instruction	359,078	30,000	0	0	389,078
Supporting Services					
Supporting Services-Pupils	392,498	9,580	0	0	402,078
Supporting Services-Instructional Staff	408,476	15,730	0	0	424,206
Supporting Services-Board of Education	48,234	0	0	0	48,234
Supporting Services-Administration	747,639	59,607	0	0	807,246
Fiscal Services	281,245	1,486	4,960	1,810	289,501
Operation & Maintenance-Plant	914,275	1,390	0	20,533	936,198
Supporting Services-Pupil Transportation	461,037	0	0	0	461,037
Supporting Services-Food Services	37,005	0	0	0	37,005
Extracurricular Activities					
Academic & Subject Oriented	12,528	3,474	0	0	16,002
Occupation Oriented	0	18	0	0	18
Sports Oriented	186,751	124,685	0	0	311,436
Co-Curricular Activities	7,540	33,308	0	0	40,848
Capital Outlay					
Other Facility Acquisition & Improvement	28,654	23,571	0	121,455	173,680
Debt Service					
Repayment of Debt	44,975	0	231,188	79,900	356,063
Total Expenditures	8,925,992	598,263	236,148	277,198	10,037,601
Excess (Deficiency) of Revenues Over (Under) Expenditures	(294,491)	68,189	(7,022)	42,171	(191,153)
Other Financing Sources and Uses:					
Other Financing Sources					
Sale & Loss of Assets	3,897	0	0	0	3,897
Proceeds from Sale of Notes	44,000	0	0	0	44,000
Other Receipts	96,740	40	0	0	96,780
Other Uses	(185,838)	0	0	0	(185,838)
Net Other Financing Sources and Uses	(41,201)	40	0	0	(41,161)
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure Disbursement and Other Uses	(335,692)	68,229	(7,022)	42,171	(232,314)
Beginning Fund Balance	713,897	85,118	444,826	52,376	1,296,217
Ending Fund Balance	\$ 378,205	153,347	437,804	94,547	\$ 1,063,903

See Accompanying Notes to the General Purpose Financial Statements.

Liberty Union-Thurston Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Taxes	\$ 3,814,762	3,814,762	0	50,460	50,460	\$ 0
Tuition	240,675	240,675	0	0	0	0
Transportation Fees	3,465	3,465	0	0	0	0
Earnings on Investment	115,472	118,902	3,430	0	0	0
Extracurricular Activities	0	0	0	149,528	149,517	(11)
Classroom Materials & Fees	39,749	39,749	0	3,426	3,426	0
Miscellaneous	60,136	61,080	944	68,147	68,147	0
State Unrestricted Grants-in-Aid	4,320,206	4,320,194	(12)	6,191	6,191	0
State Restricted Grants-in-Aid	74,302	74,302	0	219,943	219,943	0
State Revenue for/on Behalf of District	500	500	0	0	0	0
Federal Unrestricted Grants-in-Aid	1,064	1,064	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	171,781	171,781	0
Total Revenue	8,670,331	8,674,693	4,362	669,476	669,465	(11)
Expenditures:						
Regular Instruction	4,303,475	4,303,475	0	151,482	127,520	23,962
Special Instruction	538,274	538,274	0	198,610	175,703	22,907
Vocational Instruction	345,043	345,043	0	30,000	30,000	0
Support Services-Pupils	421,265	421,265	0	9,580	9,580	0
Support Services-Instructional Staff	405,138	405,138	0	24,730	15,730	9,000
Support Services-Board of Education	55,248	55,248	0	0	0	0
Support Services-Administration	747,189	747,189	0	88,990	60,161	28,829
Fiscal Services	259,765	259,765	0	7,367	5,168	2,199
Operation & Maintenance-Plant	914,399	914,399	0	1,390	1,390	0
Support Services-Transportation	530,064	530,064	0	0	0	0
Food Services Operations	33,222	33,222	0	0	0	0
Academic & Subject Oriented	12,410	12,410	0	10,289	3,448	
Occupation Oriented Activities	0	0	0	38	18	20
Sports Oriented	184,967	184,967	0	146,176	125,753	20,423
Co-Curricular Activities	7,544	7,544	0	46,086	33,303	12,783
Other Facilities, Acq. & Construction	28,654	28,654	0	0	0	0
Repayment of Debt	44,975	44,975	0	54,842	23,570	31,272
Total Expenditures	8,831,632	8,831,632	0	769,580	611,344	158,236
Excess of Revenue Over (Under) Expenditures	(161,301)	(156,939)	4,362	(100,104)	58,121	158,225
Other Financing Sources (Uses):						
Sale & Loss of Assets	3,897	3,897	0	0	0	0
Proceeds from Sale of Notes	44,000	44,000	0	0	0	0
Refund of Prior Years Expenditures	100,123	100,123	0	40	40	0
Transfers-Out	(726)	(726)	0	0	0	0
Refund of Prior Years Receipts	(156,634)	(156,634)	0	0	0	0
Total Other Sources (Uses)	(9,340)	(9,340)	0	40	40	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(170,641)	(166,279)	4,362	(100,064)	58,161	158,225
Beginning Fund Balance	844,548	844,548	0	97,251	97,251	0
Prior Year Carry Over Encumbrances	68,612	68,612	0	2,822	2,822	0
Ending Fund Balance	\$ 742,519	746,881	4,362	9	158,234	\$ 158,225

(Continued)

Liberty Union-Thurston Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 2001

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 206,020	206,020	0	102,811	102,811	\$ 0
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	26,047	26,046	(1)	12,844	12,844	0
State Restricted Grants-in-Aid	0	0	0	205,011	205,011	0
State Revenue for/on Behalf of District	0	0	0	0	0	0
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grant-in-Aid	0	0	0	0	0	0
Total Revenue	232,067	232,066	(1)	320,666	320,666	0
Expenditures:						
Regular Instruction	0	0	0	78,000	53,500	24,500
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	7,500	0	7,500
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	4,960	4,960	0	2,500	1,810	690
Operation & Maintenance-Plant	0	0	0	79,560	20,533	59,027
Support Services-Transportation	0	0	0	0	0	0
Food Services Operations	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Occupation Oriented Activities	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Other Facilities, Acq. & Construction	0	0	0	121,455	121,455	0
Repayment of Debt	231,188	231,188	0	79,900	79,900	0
Total Expenditures	236,148	236,148	0	368,915	277,198	91,717
Excess of Revenue Over (Under) Expenditures	(4,081)	(4,082)	(1)	(48,249)	43,468	91,717
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Refund of Prior Years Expenditures	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Refund of Prior Years Receipts.	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,081)	(4,082)	(1)	(48,249)	43,468	91,717
Beginning Fund Balance	436,348	436,348	0	21,599	21,599	0
Prior Year Carry Over Encumbrances	0	0	0	26,648	26,648	0
Ending Fund Balance	\$ 432,267	432,266	(1)	(2)	91,715	\$ 91,717

(Continued)

Liberty Union-Thurston Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 2001

Totals (Memorandum Only)			
	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Taxes	\$ 4,174,053	4,174,053	\$ 0
Tuition	240,675	240,675	0
Transportation Fees	3,465	3,465	0
Earnings on Investment	115,472	118,902	3,430
Extracurricular Activities	149,528	149,517	(11)
Classroom Materials & Fees	43,175	43,175	0
Miscellaneous	128,283	129,227	944
State Unrestricted Grants-in-Aid	4,365,288	4,365,275	(13)
State Restricted Grants-in-Aid	499,256	499,256	0
State Revenue for/on Behalf of District	500	500	0
Federal Unrestricted Grants-In-Aid	1,064	1,064	0
Federal Restricted Grants-in-Aid	171,781	171,781	0
Total Revenue	9,892,540	9,896,890	4,350
Expenditures:			
Regular Instruction	4,532,957	4,484,495	48,462
Special Instruction	736,884	713,977	22,907
Vocational Instruction	375,043	375,043	0
Support Services-Pupils	430,845	430,845	0
Support Services-Instructional Staff	437,368	420,868	16,500
Support Services-Board of Education	55,248	55,248	0
Support Services-Administration	836,179	807,350	28,829
Fiscal Services	274,592	271,703	2,889
Operation & Maintenance-Plant	995,349	936,322	59,027
Support Services-Transportation	530,064	530,064	0
Food Services Operations	33,222	33,222	0
Academic & Subject Oriented	22,699	15,858	6,841
Occupation Oriented Activities	38	18	20
Sports Oriented	331,143	310,720	20,423
Co-Curricular Activities	53,630	40,847	12,783
Other Facilities, Acq.& Construction	150,109	150,109	0
Repayment of Debt	410,905	379,633	31,272
Total Expenditures	10,206,275	9,956,322	249,953
Excess of Revenue Over (Under) Expenditures	(313,735)	(59,432)	254,303
Other Financing Sources (Uses):			
Sale and Loss of Assets	3,897	3,897	0
Proceeds from Sale of Notes	44,000	44,000	0
Refund of Prior Years Expenditures	100,163	100,163	0
Transfers-Out	(726)	(726)	0
Refund of Prior Years Receipts	(156,634)	(156,634)	0
Total Other Sources (Uses)	(9,300)	(9,300)	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(323,035)	(68,732)	254,303
Beginning Fund Balance	1,399,746	1,399,746	0
Prior Year Carry Over Encumbrances	98,082	98,082	0
Ending Fund Balance	\$ 1,174,793	\$ 1,429,096	\$ 254,303

See Accompanying Notes to the General Purpose Financial Statements.

Liberty Union-Thurston Local School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Deficit
All Proprietary Fund Types
Year Ended June 30, 2001

	Proprietary Fund Types		Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	
Operating Revenues:			
Food Service	\$ 256,335	0	\$ 256,335
Extracurricular Activities	0	32,594	32,594
Classroom Materials & Fees	0	4,706	4,706
Charges for Services	0	738,842	738,842
Miscellaneous	675	22,137	22,812
Total Operating Revenue	<u>257,010</u>	<u>798,279</u>	<u>1,055,289</u>
Operating Expenses:			
Personal Services - Salary	106,406	0	106,406
Employee Benefits	62,879	0	62,879
Purchased Services	5,171	51,882	57,053
Supplies and Materials	151,989	1,040	153,029
Claims	0	577,343	577,343
Depreciation	6,083	0	6,083
Total Operating Expenses	<u>332,528</u>	<u>630,265</u>	<u>962,793</u>
Operating Income (Loss)	(75,518)	168,014	92,496
Non-Operating Revenues:			
State Restricted Grants-in-Aid	2,828	0	2,828
Interest Revenue	1,307	0	1,307
Federal Unrestricted Grants-in-Aid	2,488	0	2,488
Federal Restricted Grants-in-Aid	89,171	0	89,171
Other Non-Operating Revenues	3	0	3
Total Non-Operating Revenues	<u>95,797</u>	<u>0</u>	<u>95,797</u>
Net Income	20,279	168,014	188,293
Beginning Retained Earnings (Deficit)	<u>(51,957)</u>	<u>273,277</u>	<u>221,320</u>
Retained Earnings (Deficit) at End of Year	<u>\$ (31,678)</u>	<u>441,291</u>	<u>\$ 409,613</u>

See Accompanying Notes to the General Purpose Financial Statements.

**Liberty Union-Thurston Local School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 Year Ended June 30, 2001**

	Proprietary Fund Types		Totals (Memorandum (Only))
	Enterprise Funds	Internal Service Funds	
Cash Flows from Operating Activities			
Operating Gain (Loss)	\$ (75,518)	168,014	\$ 92,496
Adjustment to Reconcile Operating Gain (Loss)			
To Net Cash Provided by (used in) Operating Activities:			
Depreciation	6,083	0	6,083
Net (Increase) Decrease in Assets:			
Intergovernmental Receivable	215	0	215
Accounts Receivable	(108)	(4,014)	(4,122)
Inventory	(885)	0	(885)
Net Increases (Decreases) in Liabilities:			
Intergovernmental Payable	610	0	610
Accounts Payable	(77)	0	(77)
Deferred Revenue	63	0	63
Claims Payable	0	(10,651)	(10,651)
Accrued Wages and Benefits	(4,350)	0	(4,350)
Compensated Absences	(4,285)	0	(4,285)
Total Adjustments	<u>(2,734)</u>	<u>(14,665)</u>	<u>(17,399)</u>
Net Cash Provided by (Used in) Operating Activities	(78,252)	153,349	75,097
Cash Flows from Noncapital Activities:			
Investment Activity	1,307	0	1,307
Miscellaneous	3	0	3
Operating Grants from State Sources	2,828	0	2,828
Operating Grants from Federal Sources	<u>91,659</u>	<u>0</u>	<u>91,659</u>
Net Cash Provided by Noncapital Financing Sources	95,797	0	95,797
Cash Flow from Capital Financing Activities:			
Acquisition of Capital Assets	<u>(2,470)</u>	<u>0</u>	<u>(2,470)</u>
Net Cash Used for Capital Financing Activities	(2,470)	0	(2,470)
Net Increase in Cash & Cash Equivalents	15,075	153,349	168,424
Cash and Cash Equivalents at Beginning of Year	<u>27,204</u>	<u>309,133</u>	<u>336,337</u>
Cash and Cash Equivalents at End of Year	<u>\$ 42,279</u>	<u>462,482</u>	<u>\$ 504,761</u>

See Accompanying Notes to the General Purpose Financial Statements.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2000, was 1,376. The District employed 92 certified employees and 51 non-certificated employees. The District is supervised by the Fairfield County Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of a reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

The District is associated with four jointly governed organizations. These organizations are discussed in Note 13 to the general purpose financial statements.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types:

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. Fund Accounting (Continued)

Proprietary Fund Types:

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the proprietary fund types:

Enterprise Funds - These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The District currently has no expendable trust funds.

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District currently has no nonexpendable trust funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups:

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Debt Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement/Accounting Focus

The modified accrual basis of accounting is followed for Governmental Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period.
 - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
 - b) Property taxes measurable as of June 30, 2001 and delinquent property taxes, whose availability is indeterminate, and are not intended to finance fiscal year 2001 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditures budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget and Budgetary Accounting (Continued)

- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts three month temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, Superintendent, and the Board of Education. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-- Budget and Actual (Non GAAP Basis)--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budget basis of accounting and GAAP basis are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year all investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), certificates of deposit and repurchase agreements.

Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at amortized cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrued to the General Fund and Enterprise Fund as authorized by board resolution. Interest income earned in fiscal year 2001 totaled \$120,809.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2001. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2001 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed. Some examples of prepaid items are: equipment maintenance agreements, vehicle insurance, liability insurance, and building and contents insurance.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives (five to twenty years for machinery, equipment and vehicles) of the related fixed assets, as applicable. The District maintains a capitalization threshold of three hundred dollars for general fixed assets. No threshold is used for proprietary fixed assets. The District does not possess any infrastructure.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets (five to twenty years).

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues (nonexchange transactions), such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when all eligibility requirements have been met and they are measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and all eligibility requirements have been met. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable and all eligibility requirements have been met.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

- State Foundation Program
- School Bus Funding
- Homestead and Rollback Property Tax State Subsidy

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenues (Continued)

Capital Project Funds

School Net

Special Revenue Funds

Educational Management Information Systems

Tech Equity Grant

Non-Reimbursable Grants:

Special Revenue Funds

Disadvantaged Pupils Program

Data Communications

Technology Equity

Textbook/Instructional Subsidy

Professional Development Grants

Ohio Reads

Title I

Title VI

Title VI-B

Title VI-R

Vocational Education Funding

Telecommunications Act Grant

Miscellaneous State and Federal Grants

Reimbursable Grants:

General Fund

Driver Education Reimbursement

Tutor Reimbursement

Vocational Education Reimbursement

CAFS

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 54% of the District's operating revenue during the 2001 fiscal year.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2001, the District had no "Due to Other Funds" and no "Interfund Receivables/Payables."

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with fifteen or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

M. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. Fund Balance Reserves

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for future appropriation and encumbrances. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

Q. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

R. Estimates

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. BUDGETARY BASIS OF ACCOUNTING

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types				
	General Fund	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$(335,692)	68,229	(7,022)	\$ 42,171
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	43,192	3,013	2,940	1,297
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	94,360	(13,081)	0	0
Due to Other Sources/Uses	31,861	0	0	0
Budget Basis	<u>\$166,279</u>	<u>58,161</u>	<u>(4,082)</u>	<u>\$ 43,468</u>

3. CASH 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 the Board of Education has identified as not required for use within the current period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the 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 money deposited with the institution.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

3. CASH AND INVESTMENTS (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market 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 market daily, and that the term of the agreement must not exceed thirty days;
4. Bond 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) 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 (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

Deposits: At year end, the carrying amount of the District's deposits was \$267,781 and the bank balance was \$467,267. Of the bank balance, \$ 200,000 was covered by Federal Depository Insurance and \$267,267 was uninsured and uncollateralized.. Although the securities were held by the pledging institutions' trust department in the District's name and all statutory requirements for the investment of the money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

3. CASH AND INVESTMENTS (Continued)

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category			Reported Amount	Fair Value
	1	2	3		
Bleacher/Computer Notes	\$ 77,000	0	\$ 0	\$ 77,000	\$ 77,000
Repurchase Agreements	0	0	935,450	935,450	935,450
STAR Ohio				961,575	961,575
Total Investments				<u>\$ 1,974,025</u>	<u>\$ 1,974,025</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 2,241,806	\$ 0
Investments:		
Bleacher/Computer Notes	(77,000)	77,000
Repurchase Agreements	(935,450)	935,450
STAR Ohio	(961,575)	961,575
Total Cash and Cash Equivalents	<u>\$ 267,781</u>	<u>\$ 1,974,025</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

4. SCHOOL INCOME TAX

The District currently benefits from a 1.25% income Tax, which is assessed on all residents of the District. In the year ended June 30, 2001, the income tax generated \$1,620,534. The District apportions all the proceeds to the General Fund.

5. PROPERTY TAX

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Fairfield County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1995, an update was done in 1999. The next revaluation is scheduled for 2001. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may be paid annually or semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Fairfield County Treasurer collects property tax on behalf of the District and the Fairfield County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. PROPERTY TAX (Continued)

The full tax rate at the fiscal year ended June 30, 2001 for operations was \$37.70 per \$1,000 of assessed valuation and \$1.20 per \$1,000 of assessed valuation for permanent improvements. The assessed values of real and tangible personal property on which the fiscal year 2001 taxes were collected were as follows:

Real Property-Residential/Agricultural	\$	89,276,740
Real Property-Public Utility		60,100
Real Property-Commercial/Industrial		7,948,840
Real Property-Minerals		667,750
Personal Property-General		5,863,455
Personal Property-Public Utility		<u>7,316,650</u>
Total Assessed Value	\$	<u><u>111,133,535</u></u>

6. RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. 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 guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:		
Tuition and Transportation Reimbursements	\$	21,881
Tax Rollbacks		24
CAFS		93
Debt Service Funds:		
Tax Rollbacks		2
Capital Projects Funds:		
Tax Rollbacks		<u>1</u>
Total	\$	<u><u>22,001</u></u>

7. FIXED ASSETS

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2001:

Furniture and Equipment	\$	329,580
Less Accumulated Depreciation		<u>(150,364)</u>
Net Fixed Assets	\$	<u><u>179,216</u></u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. FIXED ASSETS (Continued)

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year.

	General Fixed Assets June 30, 2000	Additions	Deletions	General Fixed Assets June 30, 2001
Land and Improvements	\$ 647,771	0	0	\$ 647,771
Buildings	12,642,227	2,250	0	12,644,477
Furniture and Equipment	2,847,804	158,143	26,979	2,978,968
Vehicles	699,905	67,740	0	767,645
Total General Fixed Assets	<u>\$ 16,837,707</u>	<u>228,133</u>	<u>26,979</u>	<u>\$ 17,038,861</u>

There was no significant construction in progress at June 30, 2001.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$161,904, \$142,176 and \$130,296 respectively; 46.41 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$93,479 representing the unpaid contribution for fiscal year 2001, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was used to fund pension obligations. 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 required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$615,648, \$599,616 and \$567,936, respectively; 83.33 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$102,609 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

9. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$197,887 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$125,859.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

10. COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements, Board policies and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 months) are eligible for vacation time. The administrators are granted days of vacation per year as follows:

<u>Years Service</u>	<u>Vacation Days</u>
1 - 2	12
3 -9	15
10+	20

Classified employees earn ten to twenty five days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
0-10	10
10-15	15
15-20	20
20+	25

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for severance for classified employees and administrators is 250 days and for certified employees it is 250 days.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

10. COMPENSATED ABSENCES (Continued)

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-fourth of all accumulated sick leave credited to that employee up to 62.5 days. Classified employees receive retirement severance pay equivalent to forty percent of all accumulated sick leave credited to that employee up to 100 days. In addition, teachers and administrators have the following severance incentive: In the school year the employee reaches thirty (30) years of experience, the employee shall receive an addition of 22.5 days severance pay, up to a maximum of 82.5 total, if the employee retires at thirty years service.

11. RISK MANAGEMENT

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$18,022,787. Other property insurance includes \$500,000 business personal property coverage.

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an 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 Ohio School Boards Association (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.

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 GRP. 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 of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. RISK MANAGEMENT (Continued)

B. Health Insurance

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. Board and employee premium contributions are determined by negotiated agreement. Amounts are paid into this fund from the General Fund, Lunchroom Fund, and certain Special Revenue Funds (Grants). Claims payments are made on an as-incurred basis, thus no "reserve" remains with the insurance carrier. Effective July 1, 1998, 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.

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of at June 30, 2001.

A summary of changes in self-insurance claims for the year ended June 30, 2001:

Claim Liabilities at June 30, 2000	\$	36,189
Incurred Claims		577,343
Claims Paid		(587,994)
Claim Liabilities at June 30, 2001	\$	<u>25,538</u>

In July, 1998, the District joined the South Central Ohio Insurance Consortium (SCOIC) to self insure its medical claims. SCOIC currently includes eleven member school districts. The District serves as the fiscal agent for the consortium, the District has established an agency fund to record the activity of the consortium. Contributions are determined by the consortium's board of directors and are remitted monthly to the consortium's fiscal agent, who then pays all incurred claims. Thus actual cash "reserves" are held by the fiscal agent.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. RISK MANAGEMENT (Continued)

The following is a summary of the medical claims liability for the consortium:

Berne Union Local School District	\$ 28,749
Bloom-Carroll Local School District	60,299
Canal Winchester Local School District	189,383
Fairfield Union Local School District	287,117
Groveport Madison Local School District	131
Hocking County	459
Lancaster City	656,066
Liberty Thurston-Union Local School District	67,398
Logan City	476
Miami Trace Local School District	281,527
Vinton County Local School District	<u>692</u>
Total Claims Liability	<u><u>\$ 1,572,297</u></u>

Professional Risk Management, Inc., 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 \$30,000 and \$2,000,000 lifetime maximum, per employee consortium wide.

12. LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 2001, are as follows:

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Intergovernmental Payable	\$ 54,836	61,017	54,836	\$ 61,017
General Obligation Notes Payable	401,864	44,000	114,864	331,000
General Obligation Bonds Payable	1,350,000	0	135,000	1,215,000
Capital Leases Payable	13,760	0	10,227	3,533
Compensated Absences Payable	697,237	76,244	0	773,481
Total	<u><u>\$ 2,517,697</u></u>	<u><u>181,261</u></u>	<u><u>314,927</u></u>	<u><u>\$ 2,384,031</u></u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

12. LONG-TERM DEBT (Continued)

General Obligation Notes Payable:

The annual maturities of the general obligation notes (Energy Conservation Notes) as of June 30, 2001, and related interest payments are as follows:

	Principal	Interest	Payment
FY2002	\$ 15,000	2,800	\$ 17,800
FY2003	15,000	1,960	16,960
FY2004	20,000	1,120	21,120
	<u>\$ 50,000</u>	<u>5,880</u>	<u>\$ 55,880</u>

Permanent Improvement Notes:

In June, 1999 the District issued two notes totaling \$340,000 for the purpose of land and building improvements. The notes were issued for five years at 5% interest and mature December, 2003. These notes are in full compliance with the general laws of the State of Ohio, particularly Sections 5705.216 of the Revised Code.

	Principal	Interest	Payment
FY2002	\$ 68,000	8,500	\$ 76,500
FY2003	68,000	5,100	73,100
FY2004	68,000	1,700	69,700
	<u>\$ 204,000</u>	<u>15,300</u>	<u>\$ 219,300</u>

Bleacher Notes:

The District in May, 2000, issued notes from its Bond Retirement Fund for the purchase of bleacher seating in the amount of \$60,000 at 4% to be repaid over a five-year period. The outstanding balance on these notes was \$48,000 at June 30, 2001.

Computer Notes:

The District in August, 2000, issued notes from its Bond Retirement Fund for the purchase of computers in the amount of \$44,000 at 4% to be repaid over a three-year period. The outstanding balance on these notes was \$29,000 at June 30, 2001.

General Obligation Bonds Payable:

The \$1,215,000 of outstanding general obligation bond relate to two projects. In 1976, bonds were issued for the purpose of remodeling and equipping the middle school building and improving the site thereof. The bonds were issued for \$1,610,000 at 6.5% interest and mature December, 1999. In 1986, 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 December, 2009. These bonds are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

12. LONG-TERM DEBT (Continued)

The annual maturities of the general obligation bonds as of June 30, 2001, and related interest payments are as follows:

	Principal	Interest	Payment
FY2002	\$ 135,000	86,062	\$ 221,062
FY2003	135,000	75,938	210,938
FY2004	135,000	65,813	200,813
FY2005 and thereafter	810,000	182,254	992,254
	<u>\$ 1,215,000</u>	<u>410,067</u>	<u>\$ 1,625,067</u>

Computer Leases:

The District is making installment payments for computers. This equipment has been capitalized in the general fixed assets account group. This obligation has an outstanding balance of \$3,533 at June 30, 2001. The following is a schedule of future minimum lease payments required under capital leases and present value of the minimum lease payments in the Governmental funds as of June 30, 2001:

	Principal	Interest	Payment
FY2002	\$ 3,533	40	\$ 3,573
	<u>\$ 3,533</u>	<u>40</u>	<u>\$ 3,573</u>

Debt Limitation:

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt limit is \$111,134. The voted debt limit at June 30, 2001 is \$10,002,018.

13. JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOLS

Metropolitan Educational Council (MEC) - 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOLS (Continued)

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 claims paid on behalf of the District for its employees.

Fairfield County Council for Educational 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.

Public Entity Risk Pools:

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an 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.

14. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement 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, 2001.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

14. CONTINGENCIES (Continued)

B. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2001.

15. SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of the date of this report, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

16. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 2000	\$ 0	0	116,757	\$ 116,757
Current Year Set-Aside Requirement	179,133	179,133	0	358,266
Qualifying Disbursements	<u>(431,326)</u>	<u>(373,050)</u>	<u>(116,757)</u>	<u>(921,133)</u>
Total	<u>\$ (252,193)</u>	<u>(193,917)</u>	<u>0</u>	<u>\$ (446,110)</u>
Cash Balance Carried Forward to FY2002	<u>\$ 0</u>	<u>0</u>	<u>0</u>	
Amount Restricted for Budget Stabilization				<u>\$ 0</u>
Total Restricted Assets				<u>\$ 0</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero; these amounts may be used to reduce the set-aside requirement of future years.

17. FUND DEFICITS/RETAINED EARNINGS

Retained earnings/fund balances at June 30, 2001, included the following individual deficits:

Title I	\$ (1,932)
Title VI-R	\$ (1,342)
Lunchroom Fund	\$ (31,678)

These deficits resulted from adjustments for accrued liabilities and claims payable. The General Fund is liable for any deficits and provides operating transfers when cash is required, not when accruals occur.

18. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2001, the District has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. At June 30, 2000 there was no effect on fund balances as a result of implementing GASB 33.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

We have audited the general-purpose financial statements of the Liberty Union-Thurston Local School District, Fairfield County, Ohio (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 21, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 21, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Education
Liberty Union-Thurston Local School District
Fairfield County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

JIM PETRO
Auditor of State

December 21, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JANUARY 22, 2002**