



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying 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, 2003, 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, Ohio, as of June 30, 2003, 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 10, 2003, 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.

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The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

December 10, 2003

**Liberty Union-Thurston Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003**

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Type	Account Groups		Total	
	Special	Debt	Capital	Enterprise	Internal	Agency	General	General	(Memorandum)	
	General	Revenue	Service		Projects		Service	Fixed Assets	Long Term Debt	(Only)
Assets and Other Debits:										
Equity in Pooled Cash and Investments	\$1,011,017	\$218,443	\$458,123	\$7,704,038	\$50,872	\$520,238	\$2,699,407	\$0	\$0	\$12,662,138
Taxes Receivable	3,152,729	49,897	686,887	110,411	0	0	0	0	0	3,999,924
Interfund Receivables	1,228	0	0	0	0	0	0	0	0	1,228
Intergovernmental Receivables	3,947	3,800	0	0	0	0	0	0	0	7,747
Accounts Receivable	9,562	475	0	3,463	0	0	27,461	0	0	40,961
Supply Inventory	0	0	0	0	1,415	0	0	0	0	1,415
Inventory for Resale	0	0	0	0	14,872	0	0	0	0	14,872
Net Property, Plant & Equipment	0	0	0	0	174,913	0	0	17,972,786	0	18,147,699
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	483,447	483,447
Amount to be Provided for Retirement of GLTD	0	0	0	0	0	0	0	0	9,402,184	9,402,184
Total Assets and Other Debits	\$4,178,483	\$272,615	\$1,145,010	\$7,817,912	\$242,072	\$520,238	\$2,726,868	\$17,972,786	\$9,885,631	\$44,761,615

(Continued)

Liberty Union-Thurston Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2003

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals 2003		
	Special	Debt	Capital	Enterprise	Internal Service	General	General	(Memorandum)		
	General	Revenue	Service			Projects	Agency		Fixed Assets	Long Term Debt
Liabilities:										
Interfund Payables	\$0	\$1,228	\$0	\$0	\$0	\$0	\$0	\$0	\$1,228	
Intergovernmental Payables	183,679	3,248	0	0	17,337	0	0	62,873	267,137	
Accounts Payable	61,929	4,432	0	33,148	120	0	86	0	99,715	
Claims Payable	0	0	0	0	0	98,064	0	0	98,064	
Accrued Salaries and Benefits	854,216	29,069	0	0	26,108	0	0	0	909,393	
Deferred Revenue	2,515,431	48,002	661,563	106,468	0	0	0	0	3,331,464	
Due to Others	0	0	0	0	0	0	2,726,782	0	2,726,782	
Bonds Payable	0	0	0	0	0	0	0	8,845,000	8,845,000	
Notes Payable	0	0	0	0	0	0	0	88,000	88,000	
Capital Lease Payable	0	0	0	0	0	0	0	105,819	105,819	
Compensated Absences Payable	192,944	0	0	0	31,185	0	0	783,939	1,008,068	
Total Liabilities	3,808,199	85,979	661,563	139,616	74,750	98,064	2,726,868	0	9,885,631	17,480,670
Fund Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	0	0	17,972,786	0	17,972,786
Contributed Capital	0	0	0	0	208,255	0	0	0	0	208,255
Retained Earnings	0	0	0	0	(40,933)	422,174	0	0	0	381,241
Fund Balances:										
Reserved for Encumbrances	1,329	15,789	0	98,711	0	0	0	0	0	115,829
Reserved for Future Appropriation	88,793	1,895	25,323	3,944	0	0	0	0	0	119,955
Unreserved Fund Balance	280,162	168,952	458,124	7,575,641	0	0	0	0	0	8,482,879
Total Fund Balances	370,284	186,636	483,447	7,678,296	0	0	0	0	0	8,718,663
Total Fund Balances/Retained Earnings and Other Credits	370,284	186,636	483,447	7,678,296	167,322	422,174	0	17,972,786	0	27,280,945
Total Liabilities, Fund Equity, and Other Credits	\$4,178,483	\$272,615	\$1,145,010	\$7,817,912	\$242,072	\$520,238	\$2,726,868	\$17,972,786	\$9,885,631	\$44,761,615

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, 2003

	General	Governmental Fund Types Special Revenue	Debt Service	Capital Projects	Totals (Memorandum) (Only)
REVENUES:					
Revenue from Local Sources					
Taxes	\$4,021,503	\$49,020	\$446,740	\$101,145	\$4,618,408
Tuition	283,482	0	0	0	283,482
Transportation Fees	3,642	0	0	0	3,642
Earnings on Investments	41,174	0	0	46,095	87,269
Extracurricular Activities	0	139,061	0	0	139,061
Classroom Materials & Fees	45,602	6,457	0	0	52,059
Miscellaneous	104,114	73,089	0	0	177,203
Revenue from State Sources					
Unrestricted Grants-in-Aid	4,956,174	6,342	53,198	14,403	5,030,117
Restricted Grants-in-Aid	396,112	139,502	0	0	535,614
Revenue for/on Behalf of District	4,200	0	0	0	4,200
Revenue from Federal Sources					
Unrestricted Grants-in-Aid	4,511	0	0	0	4,511
Restricted Grants-in-Aid	0	273,445	0	0	273,445
Total Revenue	9,860,514	686,916	499,938	161,643	11,209,011
EXPENDITURES:					
Instruction					
Regular Instruction	4,753,450	66,866	0	38,760	4,859,076
Special Instruction	730,048	331,377	0	0	1,061,425
Vocational Instruction/Other Instruction	451,372	0	0	0	451,372
Supporting Services					
Supporting Services-Pupils	498,920	16,609	0	0	515,529
Supporting Services-Instructional Staff	389,139	51,394	0	0	440,533
Supporting Services-Board of Education	96,619	0	0	0	96,619
Supporting Services-Administration	846,983	58,679	0	0	905,662
Fiscal Services	269,218	859	8,952	1,813	280,842
Operation & Maintenance-Plant	1,003,349	0	0	0	1,003,349
Supporting Services-Pupil Transportation	503,592	0	0	0	503,592
Food Services	980	0	0	0	980
Community Services	6,480	0	0	0	6,480
Extracurricular Activities					
Academic & Subject Oriented	16,703	6,061	0	0	22,764
Sports Oriented	418,292	118,771	0	0	537,063
Co-Curricular Activities	9,125	34,707	0	0	43,832
Capital Outlay					
Site Improvement	0	47,130	0	0	47,130
Architecture & Engineering	0	0	0	265,180	265,180
Building Improvement	47,532	0	0	27,052	74,584
Debt Service					
Repayment of Debt	114,629	0	464,996	73,062	652,687
Total Expenditures	10,156,431	732,453	473,948	405,867	11,768,699
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(295,917)	(45,537)	25,990	(244,224)	(559,688)
Other Financing Sources and (Uses):					
Premium & Accrued Interest	0	0	19,833	0	19,833
Sale of Bonds	0	0	0	7,900,000	7,900,000
Sale & Loss of Assets	1,100	0	0	0	1,100
Inception of Capital Lease	150,000	0	0	0	150,000
Other Sources	14,986	81	0	0	15,067
Other Uses	(68,448)	0	0	0	(68,448)
Net Other Financing Sources and Uses	97,638	81	19,833	7,900,000	8,017,552
Excess (Deficiency) of Revenue Receipts					
and Other Sources Over (Under) Expenditure	(198,279)	(45,456)	45,823	7,655,776	7,457,864
Disbursement and Other Uses					
Beginning Fund Balance	568,563	232,092	437,624	22,520	1,260,799
Ending Fund Balance	\$370,284	\$186,636	\$483,447	\$7,678,296	\$8,718,663

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, 2003

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:						
Taxes	\$4,065,025	\$4,065,025	\$0	\$49,689	\$49,689	\$0
Tuition	302,907	302,907	0	0	0	0
Transportation Fees	3,642	3,642	0	0	0	0
Earnings on Investment	42,801	44,555	1,754	0	0	0
Extracurricular Activities	0	0	0	138,791	138,756	(35)
Classroom Materials & Fees	45,525	45,525	0	6,457	6,457	0
Miscellaneous	103,084	103,177	93	73,492	73,492	0
State Unrestricted Grants-in-Aid	4,956,174	4,956,174	0	6,342	6,342	0
State Restricted Grants-in-Aid	396,112	396,112	0	139,502	139,502	0
State Revenue for/on Behalf of District	4,200	4,200	0	0	0	0
Federal Unrestricted Grants-in-Aid	4,346	4,657	311	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	269,644	269,644	0
Total Revenue	9,923,816	9,925,974	2,158	683,917	683,882	(35)
Expenditures:						
Regular Instruction	4,597,116	4,597,116	0	76,736	67,084	9,652
Special Instruction	700,352	700,352	0	367,816	346,822	20,994
Vocational Instruction	415,979	415,979	0	0	0	0
Support Services-Pupils	529,887	529,887	0	16,610	16,610	0
Support Services-Instructional Staff	399,556	399,556	0	56,554	51,394	5,160
Support Services-Board of Education	101,948	101,948	0	0	0	0
Support Services-Administration	810,390	810,390	0	83,046	58,438	24,608
Fiscal Services	274,951	274,951	0	1,017	859	158
Operation & Maintenance-Plant	996,382	996,382	0	0	0	0
Support Services-Transportation	508,248	508,248	0	0	0	0
Food Services Operations	3,789	3,789	0	0	0	0
Community Services	6,043	6,043	0	0	0	0
Academic & Subject Oriented	15,932	15,932	0	10,189	6,061	4,128
Occupation Oriented Activities	0	0	0	20	0	20
Sports Oriented	418,511	418,511	0	146,880	119,311	27,569
Co-Curricular Activities	8,881	8,881	0	49,543	34,645	14,898
Site Improvement	0	0	0	142,343	47,130	95,213
Architecture & Engineering	0	0	0	0	0	0
Building Improvement	47,532	47,532	0	0	0	0
Repayment of Debt	114,629	114,629	0	0	0	0
Total Expenditures	9,950,126	9,950,126	0	950,754	748,354	202,400
Excess of Revenue Over (Under) Expenditures	(26,310)	(24,152)	2,158	(266,837)	(64,472)	202,365
Other Financing Sources (Uses):						
Premium & Accrued Interest	0	0	0	0	0	0
Sale of Bonds	0	0	0	0	0	0
Sale & Loss of Assets	1,100	1,100	0	0	0	0
Inception of Capital Lease	150,000	150,000	0	0	0	0
Advances-In	0	0	0	1,229	1,229	0
Refund of Prior Years Expenditures	12,106	12,106	0	0	0	0
Transfers-Out	(230)	(230)	0	0	0	0
Advances-Out	(1,229)	(1,229)	0	0	0	0
Refund of Prior Years Receipts	(101,735)	(101,735)	0	0	0	0
Total Other Sources (Uses)	60,012	60,012	0	1,229	1,229	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	33,702	35,860	2,158	(265,608)	(63,243)	202,365
Beginning Fund Balance	881,859	881,859	0	249,701	249,701	0
Prior Year Carry Over Encumbrances	84,483	84,483	0	15,969	15,969	0
Ending Fund Balance	\$1,000,044	\$1,002,202	\$2,158	\$62	\$202,427	\$202,365

(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, 2003

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:						
Taxes	\$432,944	\$432,944	\$0	\$104,278	\$104,278	\$0
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Earnings on Investment	0	0	0	112,301	112,498	197
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	53,198	53,198	0	14,403	14,403	0
State Restricted Grants-in-Aid	0	0	0	0	0	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	486,142	486,142	0	230,982	231,179	197
Expenditures:						
Regular Instruction	0	0	0	44,760	38,760	6,000
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	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	8,953	8,953	0	2,106	1,813	293
Operation & Maintenance-Plant	0	0	0	124,641	0	124,641
Support Services-Transportation	0	0	0	0	0	0
Food Services Operations	0	0	0	0	0	0
Community Services	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
Site Improvement	0	0	0	0	0	0
Architecture & Engineering	0	0	0	551,000	454,326	96,674
Building Improvement	0	0	0	7,461,301	36,743	7,424,558
Repayment of Debt	8,364,995	8,364,995	0	73,062	73,062	0
Total Expenditures	8,373,948	8,373,948	0	8,256,870	604,704	7,652,166
Excess of Revenue Over (Under) Expenditures	(7,887,806)	(7,887,806)	0	(8,025,888)	(373,525)	7,652,363
Other Financing Sources (Uses):						
Premium & Accrued Interest	19,833	19,833	0	0	0	0
Sale of Bonds	7,900,000	7,900,000	0	0	0	0
Sale & Loss of Assets	0	0	0	0	0	0
Inception of Capital Lease	0	0	0	0	0	0
Advances-In	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
Advances-Out	0	0	0	0	0	0
Refund of Prior Years Receipts.	0	0	0	0	0	0
Total Other Sources (Uses)	7,919,833	7,919,833	0	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	32,027	32,027	0	(8,025,888)	(373,525)	7,652,363
Beginning Fund Balance	426,092	426,092	0	7,987,127	7,987,127	0
Prior Year Carry Over Encumbrances	0	0	0	38,760	38,760	0
Ending Fund Balance	\$458,119	\$458,119	\$0	(\$1)	\$7,652,362	\$7,652,363

(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, 2003

Totals (Memorandum Only)			
	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Taxes	\$4,651,936	\$4,651,936	\$0
Tuition	302,907	302,907	0
Transportation Fees	3,642	3,642	0
Earnings on Investment	155,102	157,053	1,951
Extracurricular Activities	138,791	138,756	(35)
Classroom Materials & Fees	51,982	51,982	0
Miscellaneous	176,576	176,669	93
State Unrestricted Grants-in-Aid	5,030,117	5,030,117	0
State Restricted Grants-in-Aid	535,614	535,614	0
State Revenue for/on Behalf of District	4,200	4,200	0
Federal Unrestricted Grants-In-Aid	4,346	4,657	311
Federal Restricted Grants-in-Aid	269,644	269,644	0
Total Revenue	11,324,857	11,327,177	2,320
Expenditures:			
Regular Instruction	4,718,612	4,702,960	15,652
Special Instruction	1,068,168	1,047,174	20,994
Vocational Instruction	415,979	415,979	0
Support Services-Pupils	546,497	546,497	0
Support Services-Instructional Staff	456,110	450,950	5,160
Support Services-Board of Education	101,948	101,948	0
Support Services-Administration	893,436	868,828	24,608
Fiscal Services	287,027	286,576	451
Operation & Maintenance-Plant	1,121,023	996,382	124,641
Support Services-Transportation	508,248	508,248	0
Food Services Operations	3,789	3,789	0
Community Services	6,043	6,043	0
Academic & Subject Oriented	26,121	21,993	4,128
Occupation Oriented Activities	20	0	20
Sports Oriented	565,391	537,822	27,569
Co-Curricular Activities	58,424	43,526	14,898
Other Facilities, Acq. & Construction	142,343	47,130	95,213
Site Improvement	551,000	454,326	96,674
Building Improvement	7,508,833	84,275	7,424,558
Repayment of Debt	8,552,686	8,552,686	0
Total Expenditures	27,531,698	19,677,132	7,854,566
Excess of Revenue Over (Under) Expenditures	(16,206,841)	(8,349,955)	7,856,886
Other Financing Sources (Uses):			
Premium & Accrued Interest	19,833	19,833	0
Sale of Bonds	7,900,000	7,900,000	0
Sale and Loss of Assets	1,100	1,100	0
Inception of Capital Lease	150,000	150,000	0
Advances-In	1,229	1,229	0
Refund of Prior Years Expenditures	12,106	12,106	0
Transfers-Out	(230)	(230)	0
Advances-Out	(1,229)	(1,229)	0
Refund of Prior Years Receipts	(101,735)	(101,735)	0
Total Other Sources (Uses)	7,981,074	7,981,074	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	(8,225,767)	(368,881)	7,856,886
Beginning Fund Balance	9,544,779	9,544,779	0
Prior Year Carry Over Encumbrances	139,212	139,212	0
Ending Fund Balance	\$1,458,224	\$9,315,110	\$7,856,886

See Accompanying Notes to the General Purpose Financial Statements.

Liberty Union-Thurston Local School District
Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types
Year Ended June 30, 2003

	Proprietary Fund Types		Totals (Memorandum) (Only)
	Enterprise Fund	Internal Service Fund	
Operating Revenues:			
Food Service	\$243,890	\$0	\$243,890
Extracurricular Activities	0	25,422	25,422
Charges for Services	0	863,000	863,000
Total Operating Revenue	<u>243,890</u>	<u>888,422</u>	<u>1,132,312</u>
Operating Expenses:			
Personal Services - Salary	152,207	0	152,207
Employee Benefits	71,467	0	71,467
Purchased Services	6,772	37,266	44,038
Supplies and Materials	148,330	1,754	150,084
Claims	0	950,577	950,577
Depreciation	4,749	0	4,749
Total Operating Expenses	<u>383,525</u>	<u>989,597</u>	<u>1,373,122</u>
Operating Loss	(139,635)	(101,175)	(240,810)
Non-Operating Revenues:			
Earnings On Investment	534	0	534
State Restricted Grants-in-Aid	2,903	0	2,903
Federal Unrestricted Grants-in-Aid	1,988	0	1,988
Federal Restricted Grants-in-Aid	95,507	0	95,507
Total Non-Operating Revenues	<u>100,932</u>	<u>0</u>	<u>100,932</u>
Non-Operating Expenses:			
Loss on Disposal of Assets	1,380	0	1,380
Total Non-Operating Expenses	<u>1,380</u>	<u>0</u>	<u>1,380</u>
Net Loss	(40,083)	(101,175)	(141,258)
Beginning Retained Earnings	<u>(850)</u>	<u>523,349</u>	<u>522,499</u>
Retained Earnings at End of Year	<u>(\$40,933)</u>	<u>\$422,174</u>	<u>\$381,241</u>

See Accompanying Notes to the General Purpose Financial Statements.

Liberty Union-Thurston Local School District
Statement of Cash Flows
All Proprietary Fund Types
Year Ended June 30, 2003

	Proprietary Fund Types		Totals (Memorandum) (Only)
	Enterprise Fund	Internal Service Fund	
Cash Flows from Operating Activities			
Operating Gain (Loss)	(\$139,635)	(\$101,175)	(\$240,810)
Adjustment to Reconcile Operating Gain (Loss)			
To Net Cash used in Operating Activities:			
Depreciation	4,749	0	4,749
Net (Increase) Decrease in Assets:			
Accounts Receivable	101	2,000	2,101
Inventory	(1,326)	0	(1,326)
Net Increases (Decreases) in Liabilities:			
Intergovernmental Payable	3,906	0	3,906
Accounts Payable	120	0	120
Claims Payable	0	(57,509)	(57,509)
Accrued Wages and Benefits	6,213	0	6,213
Compensated Absences	13,824	0	13,824
Total Adjustments	<u>27,587</u>	<u>(55,509)</u>	<u>(27,922)</u>
Net Cash Used in Operating Activities	(112,048)	(156,684)	(268,732)
Cash Flows from Noncapital Activities:			
Investment Activity	534	0	534
Operating Grants from State Sources	2,903	0	2,903
Operating Grants from Federal Sources	97,495	0	97,495
Net Cash Provided by Noncapital Financing Sources	<u>100,932</u>	<u>0</u>	<u>100,932</u>
Cash Flow from Capital Financing Activities:			
Acquisition of Capital Assets	(1,995)	0	(1,995)
Net Cash Provided by Capital Financing Activities	<u>(1,995)</u>	<u>0</u>	<u>(1,995)</u>
Net Increase in Cash & Cash Equivalents	(13,111)	(156,684)	(169,795)
Cash and Cash Equivalents at Beginning of Year	<u>63,983</u>	<u>676,922</u>	<u>740,905</u>
Cash and Cash Equivalents at End of Year	<u>\$50,872</u>	<u>\$520,238</u>	<u>\$571,110</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, 2003**

NOTE 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, 2002, was 1,416. The District employed 94 certified employees and 54 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 14 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, 2003
(Continued)**

NOTE 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, 2003
(Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Fund - This fund is 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 Fund - This fund accounts 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 Type

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The District's fiduciary funds only include agency funds. Agency funds are custodial in nature (assets equal liabilities) and 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.

C. Measurement/Accounting Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements as well as relates to the timing of the measurements made.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement/Accounting Focus (Continued)

The modified accrual basis of accounting is followed for the governmental and agency funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year. The available period for the District is sixty days after fiscal year end.

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

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, 2003
(Continued)**

NOTE 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 paid in cash (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.

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 Federal Agency securities, the State Treasury Asset Reserve of Ohio (STAR Ohio), certificates of deposit, money market funds, and repurchase agreements.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments (Continued)

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, 2003.

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, Capital Projects Fund and Enterprise Fund as authorized by board resolution. Interest income earned in fiscal year 2003 totaled \$87,803.

F. 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.

G. 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).

H. 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, 2003, the District had no "Due to/Due from Other Funds" and \$1,228 in "Interfund Receivables/Payables."

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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.

J. 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. At June 30, 2003, the District had contributed capital in the amount of \$208,255.

K. 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, 2003
(Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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.

M. 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.

N. Estimates

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

NOTE 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	(\$198,279)	(\$45,456)	\$45,823	\$7,655,776
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	65,460	(3,034)	(13,796)	69,536
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	206,075	(15,901)	(7,900,000)	(198,837)
Due to Other Sources/Uses	(37,396)	1,148	7,900,000	(7,900,000)
Budget Basis	\$35,860	(\$63,243)	\$32,027	(\$373,525)

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 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.

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 3. CASH AND INVESTMENTS (Continued)

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

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 \$187,424 and the bank balance was \$345,747. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$245,747 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the District's name and all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

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
	1	2	3	Value
Certificate of Deposit	\$0	\$127,104	\$0	\$127,104
Federal Agency Securities	0	6,524,745	0	6,524,745
Money Market Fund	0	0	1,144,472	1,144,472
Repurchase Agreements	0	0	3,435,277	3,435,277
STAR Ohio				1,243,116
Total Investments				\$12,474,714

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 3. CASH AND INVESTMENTS (Continued)

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	\$12,662,138	\$0
Investments:		
Certificate of Deposit	(127,104)	127,104
Federal Agency Notes	(6,524,745)	6,524,745
Money Market Fund	(1,144,472)	1,144,472
Repurchase Agreements	(3,435,277)	3,435,277
STAR Ohio	(1,243,116)	1,243,116
Total Cash and Cash Equivalents	\$187,424	\$12,474,714

NOTE 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, 2003, the income tax generated \$1,583,223. The District apportions all the proceeds to the General Fund.

NOTE 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 2001, an update will be done in 2004. The next revaluation is scheduled for 2007. 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 5. PROPERTY TAX (Continued)

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.

The full tax rate at the fiscal year ended June 30, 2003 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 2003 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$9,390,960
Real Property-Residential/Agricultural	106,288,590
Real Property-Public Utilities	46,910
Real Property-Minerals	668,870
Personal Property-General	6,255,440
Personal Property-Public Utility	6,407,130
	6,407,130
Total Assessed Value	\$129,057,900

NOTE 6. RECEIVABLES

Receivables at June 30, 2003 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 Reimbursements	\$3,260
CAFS	687
Total General Fund	\$3,947
Special Revenue Funds:	
Title II-A	\$3,800
Total Special Revenue Funds	\$3,800

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 7. FIXED ASSETS

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2003:

Furniture and Equipment	\$333,120
Less Accumulated Depreciation	<u>(158,207)</u>
Net Fixed Assets	<u><u>\$174,913</u></u>

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

	General Fixed Assets June 30, 2002	Additions	Deletions	General Fixed Assets June 30, 2003
Land and Improvements	\$647,771	0	0	\$647,771
Buildings	12,644,477	51,648	0	12,696,125
Furniture and Equipment	3,077,658	324,213	84,349	3,317,522
Vehicles	870,749	52,399	10,290	912,858
Construction in Progress	0	398,510	0	398,510
Total General Fixed Assets	<u><u>\$17,240,655</u></u>	<u><u>\$826,770</u></u>	<u><u>\$94,639</u></u>	<u><u>\$17,972,786</u></u>

NOTE 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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, 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, 2003, 2002, and 2001 were \$174,296, \$158,544 and \$161,904, respectively; 45.84 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$102,970 representing the unpaid contribution for fiscal year 2003, 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, 2003
(Continued)**

NOTE 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.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 13 percent was the portion 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, 2003, 2002, and 2001 were \$720,552, \$668,928 and \$615,648, respectively; 83.33 percent has been contributed for fiscal year 2003, and 100 percent for fiscal years 2002 and 2001. \$120,095 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

NOTE 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 9. POSTEMPLOYMENT BENEFITS (Continued)

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. Effective July 1, 2002, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2003. For the District, this amount equaled \$51,468 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002 (the latest information available), the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 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.

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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. 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 2003, the minimum pay has been established at \$14,500. For the District, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled \$122,142.

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, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

NOTE 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 10. COMPENSATED ABSENCES (Continued)

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.

Retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any teacher or administrator receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-third of all accumulated sick leave credited to that employee up to 65 days. Classified employees receive retirement severance pay equivalent to forty percent of all accumulated sick leave credited to that employee up to 100 days. 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.

NOTE 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 \$24,441,870. Other property insurance includes \$500,000 business personal property coverage.

B. Worker's Compensation

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 11. RISK MANAGEMENT (Continued)

B. Worker's Compensation (Continued)

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.

C. 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, 1996, the District terminated the independent carrier for self-insurance for basic medical, and prescription drug coverage and joined the South Central Ohio Insurance Consortium. The District continues to maintain an independent self-insurance fund for dental coverage.

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, 2003.

A summary of changes in self-insurance claims follows:

	2003	2002	2001
Claim Liabilities at July 1	\$155,573	\$25,538	\$36,189
Incurred Claims	893,068	850,869	577,343
Claims Paid	(950,577)	(720,834)	(587,994)
Claim Liabilities at June 30	<u>\$98,064</u>	<u>\$155,573</u>	<u>\$25,538</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 11. RISK MANAGEMENT (Continued)

C. Health Insurance (Continued)

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

Claim liabilities for the consortium at June 30, 2003, were \$2,569,760 and are reported by the individual member entities. Members include the following schools districts and governmental entities:

- Amanda Local School District
- Berne Union Local School District
- Bloom-Carroll Local School District
- Canal Winchester Local School District
- Fairfield Union Local School District
- Fairfield County Board of Mental Retardation
- Lancaster City
- Liberty Union-Thurston Local School District
- Miami Trace Local School District

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

NOTE 12. LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 2003, are as follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30,2003
Intergovernmental Payable	\$53,868	\$62,873	\$53,868	\$62,873
General Obligation Notes Payable	221,000	0	133,000	88,000
General Obligation Bonds Payable	1,080,000	7,900,000	135,000	8,845,000
Capital Lease	0	150,000	44,181	105,819
Compensated Absences Payable	768,471	15,468	0	783,939
Total	\$2,123,339	\$8,128,341	\$366,049	\$9,885,631

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 12. LONG-TERM DEBT (Continued)

General Obligation Notes Payable:

The annual maturities of the general obligation notes (Energy Conservation Notes) as of June 30, 2003, and related interest payments are as follows:

	Principal	Interest	Payment
FY2004	\$20,000	\$1,120	\$21,120
	\$20,000	\$1,120	\$21,120

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
FY2004	\$68,000	\$1,700	\$69,700
	\$68,000	\$1,700	\$69,700

General Obligation Bonds Payable:

1986 Bond Issue:

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.

The annual maturities of the general obligation bonds as of June 30, 2003, and related interest payments are as follows:

	Principal	Interest	Payment
FY2004	\$135,000	\$65,812	\$200,812
FY2005	135,000	55,688	190,688
FY2006	135,000	45,562	180,562
FY2007	135,000	35,438	170,438
FY2008	135,000	25,313	160,313
FY2009-2010	270,000	20,250	290,250
Total	\$945,000	\$248,063	\$1,193,063

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 12. LONG-TERM DEBT (Continued)

2002 Bond Issue:

In December, 2002, the District issued general obligation bonds in the amount of \$7,900,000 for the renovation of the elementary school. The bonds were issued at an average interest rate of 4.35% and mature December, 2020. 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.

The annual maturities of the general obligation bonds as of June 30, 2003, and related interest payments are as follows:

	Principal	Interest	Payment
FY2004	\$190,000	\$307,881	\$497,881
FY2005	225,000	304,639	529,639
FY2006	260,000	300,191	560,191
FY2007	275,000	294,494	569,494
FY2008	295,000	287,459	582,459
FY2009-2013	1,980,000	1,267,023	3,247,023
FY2014-2018	2,835,000	802,085	3,637,085
FY2019-2021	1,840,000	130,000	1,970,000
Total	<u>\$7,900,000</u>	<u>\$3,693,772</u>	<u>\$11,593,772</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 \$129,058. The voted debt limit at June 30, 2003 is \$11,615,211.

NOTE 13 - CAPITAL LEASES

The District entered into a capital lease for fitness equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as function expenditures on a budgetary basis.

General fixed assets consisting of leased equipment has been capitalized in the general fixed assets account group in the amount of \$150,000. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long term debt account group. Principal payments in fiscal year 2003 totaled \$44,181.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 13 - CAPITAL LEASES (Continued)

<u>Year</u>	<u>General Long-Term Obligation</u>
2004	\$52,736
2005	52,736
2006	4,394
Total Minimum Lease Payments	109,866
Less: Amount Representing Interest	4,047
Present Value of Minimum Lease Payments	\$105,819

NOTE 14. 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 it's own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 14. JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOLS (Continued)

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.

NOTE 15. 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, 2003.

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, 2003.

NOTE 16. SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 17. STATUTORY RESERVES

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

NOTE 17. STATUTORY RESERVES (Continued)

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

	Textbook Acquisition	Capital Improvements
Set aside Reserve Balance as of June 30, 2002	(\$95,988)	(\$58,702)
Current Year Set-Aside Requirement	201,610	201,610
Qualifying Offsets	0	(9,111)
Qualifying Disbursements	(248,730)	(295,827)
Totals	(\$143,108)	(\$162,030)
Set-aside Balance Carried Forward To Future Fiscal Years	(\$143,108)	(\$162,030)
 Total Reserve Balance	 \$0	 \$0

The District has qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. The extra amounts may be used to reduce the set-aside requirement in future years. The total reserve balance for the set-asides at the end of the fiscal year was zero.

NOTE 18. DEFICIT FUND BALANCES/RETAINED EARNINGS

Deficit fund balances/retained earnings at June 30, 2003, included the following individual deficits:

Title I	(\$5,732)
Title II-A	(\$7,861)
Lunchroom Fund	(\$40,933)

These deficits are the result of the application of generally accepted accounting principles. The General Fund is liable for any deficits and provides operating transfers when cash is required, not when accruals occur.

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LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$25,154	\$0	\$23,150
National School Lunch Program	046888-LLP4-2002 046888-LLP4-2003	10.555	10,432 59,921	0 0	10,432 59,921	0 0
Special Milk Program for Children	046888-02PU-2002 046888-02PU-2003	10.556	328 1,660	0 0	328 1,660	0 0
Total U.S. Department of Agriculture - Nutrition Cluster			72,341	25,154	72,341	23,150
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title 1_Grants to Local Educational Agencies	046888-C1S1-2002 046888-C1S1-2003	84.010	1,816 98,924	0 0	12,663 86,653	0 0
Special Education_Grants to States	046888-6BSF-2002-P 046888-6BSF-2003-P	84.027	1,440 105,144	0 0	8,514 105,144	0 0
Safe and Drug-Free Schools and Communities_State Grants	046888-DRS1-2003	84.186	5,675	0	5,675	0
Eisenhower Professional Development_State Grants	046888-MSS1-2002	84.281	(5,392)	0	0	0
Innovative Education Program Strategies	046888-C2S1-2003	84.298	1,326	0	1,300	0
Education Technology_State Grants	046888-TJS1-2003	84.318	2,858	0	2,858	0
Class Size Reduction	046888-CRS1-2002	84.340	0	0	5,778	0
School Renovation Grants	046888-ATS2-2002	84.352	24,086	0	24,086	0
Improving Teacher Quality_State Grants	046888-TRS1-2003	84.367	33,768	0	34,997	0
Total U.S. Department of Education			269,645	0	287,668	0
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	-	93.667	4,657	0	4,657	0
Total U.S. Department of Health and Human Services			4,657	0	4,657	0
Totals			\$346,643	\$25,154	\$364,666	\$23,150

The accompanying notes to this schedule are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE PERIOD ENDED JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

NOTE C--TRANSFERABILITY

During Fiscal Year 2003, the Ohio Department of Education eliminated the Eisenhower Professional Development Grant. The receipts and expenditures from that grant have been reported as receipts and expenditures of the Improving Teacher Quality Grant program.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

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, 2003, and have issued our report thereon dated December 10, 2003. 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 general purpose 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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 10, 2003.

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 general purpose 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 general purpose financial statements 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. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 10, 2003.

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www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

December 10, 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the Liberty Union-Thurston Local School District, Fairfield County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. We noted a certain immaterial instance of noncompliance that does not require inclusion in this report that we have reported to management of the District in a separate letter dated December 10, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

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



Betty Montgomery
Auditor of State

December 10, 2003

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster CFDA # 10.550, 10.555, 10.556 Special Education_Grants to States CFDA # 84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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**Auditor of State
Betty Montgomery**

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LIBERTY UNION- THURSTON LOCAL SCHOOL DISTRICT

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 4, 2004**