



Dave Yost • Auditor of State

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2017**

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TRUMBULL COUNTY
JUNE 30, 2017

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Liberty Local School District
Trumbull County
4115 Shady Road
Youngstown, Ohio 44505-1397

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Local School District, Trumbull County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

December 26, 2017

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Liberty Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

As management of the Liberty Local School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- Outstanding long-term obligations increased during fiscal year 2017 due to an increase in the net pension liability, which was slightly offset by annual general obligation debt payments.
- The School District's enrollment decreased from fiscal year 2016 to fiscal year 2017. For fiscal year 2017, school districts were guaranteed the amount received for fiscal year 2016 in School Foundation revenues. Therefore, there was no decrease in School Foundation revenues from the State of Ohio.
- The School District has three Emergency Levies that need to be renewed every five years. These levies must pass by majority vote of the community in order for the School District to keep collecting their related tax revenue.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

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

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of non-instructional services and interest and fiscal charges.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State

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Unaudited

and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general and bond retirement funds. All of the funds of the School District can be divided into two categories: governmental and fiduciary.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to financial educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Fund A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the School District's own programs. These funds use the accrual basis of accounting.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Position for 2017 compared to 2016.

Table 1
 Net Position
 Governmental Activities

	2017	2016	Change
Assets			
Current and Other Assets	\$15,542,455	\$15,604,759	(\$62,304)
Capital Assets, Net	8,384,047	8,199,121	184,926
<i>Total Assets</i>	23,926,502	23,803,880	122,622
Deferred Outflows of Resources			
Pension	\$4,208,241	\$1,668,844	\$2,539,397

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Management's Discussion and Analysis
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Table 1
 Net Position
 Governmental Activities (continued)

	2017	2016	Change
Liabilities			
Current Liabilities	\$1,799,335	\$1,407,548	(\$391,787)
Long-Term Liabilities			
Due Within One Year	965,839	912,379	(53,460)
Due In More Than One Year:			
Net Pension Liability	21,043,775	16,710,412	(4,333,363)
Other Amounts Due in More Than One Year	6,164,892	6,929,421	764,529
<i>Total Liabilities</i>	<u>29,973,841</u>	<u>25,959,760</u>	<u>(4,014,081)</u>
Deferred Inflows of Resources			
Property Taxes	8,499,323	8,554,515	55,192
Pension	273,806	1,455,397	1,181,591
<i>Total Deferred Inflows of Resources</i>	<u>8,773,129</u>	<u>10,009,912</u>	<u>1,236,783</u>
Net Position			
Net Investment in Capital Assets	4,645,476	3,780,828	864,648
Restricted for:			
Capital Projects	417,389	428,367	(10,978)
Debt Service	1,802,264	1,752,280	49,984
Honors Programs			
Nonexpendable	34,817	38,739	(3,922)
Other Purposes	324,381	282,115	42,266
Unrestricted (Deficit)	<u>(17,836,554)</u>	<u>(16,779,277)</u>	<u>(1,057,277)</u>
<i>Total Net Position (Deficit)</i>	<u><u>(\$10,612,227)</u></u>	<u><u>(\$10,496,948)</u></u>	<u><u>(\$115,279)</u></u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting, however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability portion of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Current assets decreased mainly due to decreases in cash and property taxes receivable offset by an increase in intergovernmental receivables. The decrease in property taxes receivable can be attributed to a decrease in delinquent property taxes outstanding at fiscal year end. The increase in capital assets was due to additions exceeding an additional year of depreciation. The significant increase in total deferred outflows of resources in 2017 was due to an increase in the difference between projected and actual earnings on investments related to the School District's net pension liability.

The School District had an increase in total liabilities which can be attributed to an increase in the net pension liability which was slightly offset by the current year payments on the outstanding notes and bonds payable. The net pension liability increase represents the School District's proportionate share of the unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

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In order to further understand what makes up the changes in net position for the current fiscal year, the following table gives readers further details regarding the results of activities for 2017 and 2016.

Table 2
Change in Net Assets
Governmental Activities

	2017	2016	Change
Program Revenues			
Charges for Services and Sales	\$1,409,449	\$1,135,865	\$273,584
Operating Grants, Interest and Contributions	2,252,152	2,104,083	148,069
Capital Grants	19,053	19,403	(350)
<i>Total Program Revenues</i>	<u>3,680,654</u>	<u>3,259,351</u>	<u>421,303</u>
General Revenues			
Property Taxes	8,377,811	8,156,294	221,517
Grants and Entitlements	5,897,438	6,273,971	(376,533)
Investment Earnings	6,839	5,958	881
Miscellaneous	101,512	101,471	41
<i>Total General Revenues</i>	<u>14,383,600</u>	<u>14,537,694</u>	<u>(154,094)</u>
<i>Total Revenues</i>	<u>18,064,254</u>	<u>17,797,045</u>	<u>267,209</u>
Program Expenses			
Instruction:			
Regular	\$9,781,059	\$8,801,479	(\$979,580)
Special	2,117,371	1,464,620	(652,751)
Support Services:			
Pupils	686,945	606,534	(80,411)
Instructional Staff	296,487	266,130	(30,357)
Board of Education	18,248	18,234	(14)
Administration	1,304,984	1,106,314	(198,670)
Fiscal	411,296	443,895	32,599
Business	972	972	0
Operation and Maintenance of Plant	1,246,880	1,107,501	(139,379)
Pupil Transportation	1,036,443	963,567	(72,876)
Central	324	332	8
Operation of Non-Instructional Services	4,363	7,696	3,333
Operation of Food Service	643,372	605,832	(37,540)
Extracurricular Activities	381,639	403,966	22,327
Interest and Fiscal Charges	249,150	290,562	41,412
<i>Total Program Expenses</i>	<u>18,179,533</u>	<u>16,087,634</u>	<u>(2,091,899)</u>
<i>Change in Net Position</i>	(115,279)	1,709,411	(1,824,690)
Net Position (Deficit) Beginning of Year	<u>(10,496,948)</u>	<u>(12,206,359)</u>	<u>1,709,411</u>
Net Position (Deficit) End of Year	<u>(\$10,612,227)</u>	<u>(\$10,496,948)</u>	<u>(\$115,279)</u>

Liberty Local School District
Management's Discussion and Analysis
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The School District relies heavily upon property taxes and the State School Foundation Program to support its operations. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs. The increase in operating grants can be attributed to the School District receiving an increase in grant monies compared to fiscal year 2016.

Instructional expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teacher salary and benefits which increase at set levels every year based on negotiated agreements. Instructional expense increased for the fiscal year. For fiscal year 2017, School District employees received a two percent raise as well as step increases. Health care costs increased as well.

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2017 compared to 2016.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2017		2016	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$9,781,059	\$8,183,461	\$8,801,479	\$7,392,130
Special	2,117,371	955,641	1,464,620	464,582
Support Services:				
Pupils	686,945	686,945	606,534	606,534
Instructional Staff	296,487	291,087	266,130	260,730
Board of Education	18,248	18,248	18,234	18,234
Administration	1,304,984	1,265,036	1,106,314	1,054,189
Fiscal	411,296	411,296	443,895	443,895
Business	972	972	972	972
Operation and Maintenance of Plant	1,246,880	1,061,852	1,107,501	974,011
Pupil Transportation	1,036,443	1,033,818	963,567	960,192
Central	324	324	332	332
Operation of Non-Instructional Services	4,363	1,500	7,696	500
Operation of Food Service	643,372	22,277	605,832	27,457
Extracurricular Activities	381,639	317,272	403,966	333,963
Interest and Fiscal Charges	249,150	249,150	290,562	290,562
Total	<u>\$18,179,533</u>	<u>\$14,498,879</u>	<u>\$16,087,634</u>	<u>\$12,828,283</u>

The dependence upon general revenues for governmental activities is apparent from Table 3. The majority of instructional activities are supported through taxes and other general revenues.

Financial Analysis of the Government's Funds

Governmental Funds Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$18,259,039 and expenditures of \$18,632,734. The general fund had a decrease in fund

Liberty Local School District
Management's Discussion and Analysis
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balance due mainly to increases in expenditures due to increases in salaries due to a two percent raise as well as step increases. The bond retirement fund had an increase in fund balance due to revenues outpacing expenditures in the current year. Other governmental funds had an increase in fund balance due to an increase of intergovernmental monies.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the general fund. During the course of fiscal year 2017, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue estimate was higher than actual revenues which can be attributed to lower intergovernmental and miscellaneous revenue than expected. The final budget appropriations were greater than the original budget appropriations of the general fund. The change was attributed to increases in expenditures for regular instruction as well as special instruction. Overall, the ending general fund balance was positive compared to the budgeted balance. This can be attributed to the cost cutting measures taken during the fiscal year and close monitoring of expenditures.

Capital Assets and Long-term Liabilities

Capital Assets

Table 4 shows fiscal 2017 values compared to fiscal 2016.

Table 4
 Capital Assets at June 30
 Governmental Activities

	2017	2016
Land	\$349,160	\$349,160
Land Improvements	139,966	91,700
Buildings and Improvements	7,283,783	7,373,467
Furniture and Fixtures	527,577	289,281
Vehicles	83,561	95,513
Total Capital Assets	\$8,384,047	\$8,199,121

The increase in capital assets was due to additions exceeding an additional year of depreciation during fiscal year 2017. The School District updated its fire alarm systems and entered into new capital leases for copiers during the year. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

Liberty Local School District
Management's Discussion and Analysis
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Unaudited

Debt

Table 5 below summarizes the School District's long-term outstanding obligations.

Table 5
Outstanding Long-term Obligations at June 30
Governmental Activities

	<u>2017</u>	<u>2016</u>
Energy Conservation Improvement Bonds	\$2,327,350	\$2,327,350
2014 Refunding Bonds	3,578,264	4,397,390
Net Pension Liability	21,043,775	16,710,412
Capital Leases	<u>160,307</u>	<u>20,903</u>
Total	<u>\$27,109,696</u>	<u>\$23,456,055</u>

The 2014 refunding bonds were issued to current refund the callable portion of the 2006 refunding bonds to take advantage of lower interest rates. The energy conservation improvement qualified school construction bonds were issued to provide for energy improvements to various School District buildings. The bonds will be repaid out of the general obligation bond retirement fund.

The School District's overall legal debt margin was \$15,710,419 with an unvoted debt margin of \$220,639. For more information about the School District's long-term obligations, see Note 11 to the basic financial statements for additional information.

School District Outlook

The Board of Education and administration closely monitor revenues and expenditures in accordance with its financial forecast. The financial future of the School District will continue to face challenges. These challenges stem from issues that are at both the local and State levels. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, all of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Bradley Panak, Treasurer, Liberty Local School District, 4115 Shady Road, Youngstown, Ohio 44505-1395.

Liberty Local School District

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,058,537
Cash and Cash Equivalents with Fiscal Agents	1,085,104
Accounts Receivable	10,297
Intergovernmental Receivable	473,196
Prepaid Items	20,311
Inventory Held for Resale	12,619
Materials and Supplies Inventory	23,324
Property Taxes Receivable	9,859,067
Nondepreciable Capital Assets	349,160
Depreciable Capital Assets, Net	<u>8,034,887</u>
<i>Total Assets</i>	<u>23,926,502</u>
Deferred Outflows of Resources	
Pension	<u>4,208,241</u>
Liabilities	
Accounts Payable	123,212
Accrued Wages and Benefits	1,111,297
Intergovernmental Payable	431,248
Matured Compensated Absences Payable	112,557
Accrued Interest Payable	21,021
Long-Term Liabilities:	
Due Within One Year	965,839
Due In More Than One Year	
Net Pension Liability (See Note 16)	21,043,775
Other Amounts	<u>6,164,892</u>
<i>Total Liabilities</i>	<u>29,973,841</u>
Deferred Inflows of Resources	
Property Taxes	8,499,323
Pension	<u>273,806</u>
<i>Total Deferred Inflows of Resources</i>	<u>8,773,129</u>
Net Position	
Net Investment in Capital Assets	4,645,476
Restricted for:	
Capital Projects	417,389
Debt Service	1,802,264
Honors Programs	
Nonexpendable	34,817
Other Purposes	324,381
Unrestricted (Deficit)	<u>(17,836,554)</u>
<i>Total Net Position (Deficit)</i>	<u><u>(\$10,612,227)</u></u>

See accompanying notes to the basic financial statements

Liberty Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions		
Governmental Activities					
Instruction:					
Regular	\$9,781,059	\$860,017	\$737,581	\$0	(\$8,183,461)
Special	2,117,371	169,083	992,647	0	(955,641)
Support Services:					
Pupils	686,945	0	0	0	(686,945)
Instructional Staff	296,487	0	5,400	0	(291,087)
Board of Education	18,248	0	0	0	(18,248)
Administration	1,304,984	38,516	1,432	0	(1,265,036)
Fiscal	411,296	0	0	0	(411,296)
Business	972	0	0	0	(972)
Operation and Maintenance of Plant	1,246,880	165,975	0	19,053	(1,061,852)
Pupil Transportation	1,036,443	0	2,625	0	(1,033,818)
Central	324	0	0	0	(324)
Operation of Non-Instructional Services	4,363	0	2,863	0	(1,500)
Operation of Food Service	643,372	111,491	509,604	0	(22,277)
Extracurricular Activities	381,639	64,367	0	0	(317,272)
Interest and Fiscal Charges	249,150	0	0	0	(249,150)
Totals	\$18,179,533	\$1,409,449	\$2,252,152	\$19,053	(14,498,879)

General Revenues

Property Taxes Levied for:

General Purposes	7,335,897
Debt Service	906,947
Capital Outlay	134,967

Grants and Entitlements not Restricted
to Specific Programs

5,897,438

Investment Earnings

6,839

Miscellaneous

101,512

Total General Revenues

14,383,600

Change in Net Position

(115,279)

Net Position (Deficit) Beginning of Year

(10,496,948)

Net Position (Deficit) End of Year

(\$10,612,227)

See accompanying notes to the basic financial statements

Liberty Local School District

Balance Sheet

Governmental Funds

June 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,664,328	\$616,181	\$717,795	\$3,998,304
Cash and Cash Equivalents With Fiscal Agents	0	1,085,104	0	1,085,104
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	60,233	0	0	60,233
Accounts Receivable	10,146	0	151	10,297
Intergovernmental Receivable	280,162	0	193,034	473,196
Inventory Held for Resale	0	0	12,619	12,619
Materials and Supplies Inventory	20,765	0	2,559	23,324
Property Taxes Receivable	8,820,924	879,503	158,640	9,859,067
Prepaid Items	20,311	0	0	20,311
<i>Total Assets</i>	<u>\$11,876,869</u>	<u>\$2,580,788</u>	<u>\$1,084,798</u>	<u>\$15,542,455</u>
Liabilities				
Accounts Payable	\$42,039	\$0	\$81,173	\$123,212
Accrued Wages and Benefits	969,659	0	141,638	1,111,297
Matured Compensated Absences Payable	112,557	0	0	112,557
Intergovernmental Payable	405,548	0	25,700	431,248
<i>Total Liabilities</i>	<u>1,529,803</u>	<u>0</u>	<u>248,511</u>	<u>1,778,314</u>
Deferred Inflows of Resources				
Property Taxes	7,604,853	757,503	136,967	8,499,323
Unavailable Revenue	1,156,300	112,990	73,198	1,342,488
<i>Total Deferred Inflows of Resources</i>	<u>8,761,153</u>	<u>870,493</u>	<u>210,165</u>	<u>9,841,811</u>
Fund Balances				
Nonspendable	101,309	0	37,376	138,685
Restricted	0	1,710,295	616,376	2,326,671
Committed	19,192	0	0	19,192
Assigned	883,385	0	0	883,385
Unassigned (Deficit)	582,027	0	(27,630)	554,397
<i>Total Fund Balances</i>	<u>1,585,913</u>	<u>1,710,295</u>	<u>626,122</u>	<u>3,922,330</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$11,876,869</u>	<u>\$2,580,788</u>	<u>\$1,084,798</u>	<u>\$15,542,455</u>

See accompanying notes to the basic financial statements

Liberty Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2017*

Total Governmental Fund Balances	\$3,922,330
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,384,047
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds.	
Delinquent Property Taxes	1,259,326
Intergovernmental	<u>83,162</u>
Total	1,342,488
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	4,208,241
Deferred Inflows - Pension	(273,806)
Net Pension Liability	<u>(21,043,775)</u>
Total	(17,109,340)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(21,021)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(5,905,614)
Capital Leases	(160,307)
Compensated Absences	<u>(1,064,810)</u>
Total	<u>(7,130,731)</u>
<i>Net Position of Governmental Activities</i>	<u><u>(\$10,612,227)</u></u>

See accompanying notes to the basic financial statements

Liberty Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$7,454,609	\$919,128	\$136,999	\$8,510,736
Intergovernmental	6,297,461	224,225	1,707,380	8,229,066
Interest	6,758	0	86	6,844
Tuition and Fees	1,067,616	0	0	1,067,616
Extracurricular Activities	0	0	64,367	64,367
Contributions and Donations	0	0	1,432	1,432
Charges for Services	0	0	111,491	111,491
Rentals	165,975	0	0	165,975
Miscellaneous	89,425	0	12,087	101,512
<i>Total Revenues</i>	<u>15,081,844</u>	<u>1,143,353</u>	<u>2,033,842</u>	<u>18,259,039</u>
Expenditures				
Current:				
Instruction:				
Regular	8,590,003	0	748,758	9,338,761
Special	1,704,380	0	370,833	2,075,213
Support Services:				
Pupils	640,179	0	0	640,179
Instructional Staff	266,810	0	5,400	272,210
Board of Education	18,248	0	0	18,248
Administration	1,190,874	0	3,854	1,194,728
Fiscal	404,240	0	0	404,240
Business	972	0	0	972
Operation and Maintenance of Plant	1,221,338	15,052	0	1,236,390
Pupil Transportation	1,010,584	0	2,625	1,013,209
Central	324	0	0	324
Operation of Non-Instructional Services	0	0	4,363	4,363
Operation of Food Service	0	0	627,031	627,031
Extracurricular Activities	270,799	0	104,712	375,511
Capital Outlay	167,904	0	164,998	332,902
Debt Service:				
Principal Retirement	28,500	805,000	0	833,500
Interest and Fiscal Charges	2,140	262,813	0	264,953
<i>Total Expenditures</i>	<u>15,517,295</u>	<u>1,082,865</u>	<u>2,032,574</u>	<u>18,632,734</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(435,451)</u>	<u>60,488</u>	<u>1,268</u>	<u>(373,695)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	167,904	0	0	167,904
Transfers In	0	0	35,000	35,000
Transfers Out	(35,000)	0	0	(35,000)
<i>Total Other Financing Sources (Uses)</i>	<u>132,904</u>	<u>0</u>	<u>35,000</u>	<u>167,904</u>
<i>Net Change in Fund Balances</i>	(302,547)	60,488	36,268	(205,791)
<i>Fund Balances Beginning of Year</i>	<u>1,888,460</u>	<u>1,649,807</u>	<u>589,854</u>	<u>4,128,121</u>
<i>Fund Balances End of Year</i>	<u>\$1,585,913</u>	<u>\$1,710,295</u>	<u>\$626,122</u>	<u>\$3,922,330</u>

See accompanying notes to the basic financial statements

Liberty Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds (\$205,791)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Asset Additions	647,592	
Current Year Depreciation	<u>(460,767)</u>	
Total		186,825

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (1,899)

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

Delinquent Property Taxes	(132,925)	
Intergovernmental	<u>(61,860)</u>	
Total		(194,785)

Repayment of bond and capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 833,500

In the statement of activities interest is accrued whereas in governmental funds, an interest expenditure is reported when due. 1,677

Other financing sources in the governmental funds, such as inception of capital lease, increase long-term liabilities in the statement of net position. (167,904)

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

Amortization of Premium	21,867	
Amortization of Discount	<u>(7,741)</u>	
Total		14,126

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 31,347

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,057,632

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,670,007)

Change in Net Position of Governmental Activities (\$115,279)

See accompanying notes to the basic financial statements

Liberty Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$7,289,190	\$7,409,645	\$7,409,645	\$0
Intergovernmental	6,412,175	6,398,457	6,394,514	(3,943)
Interest	5,361	7,008	6,758	(250)
Tuition and Fees	792,806	820,368	820,368	0
Rentals	135,000	162,000	166,792	4,792
Miscellaneous	35,000	80,000	78,974	(1,026)
<i>Total Revenues</i>	<u>14,669,532</u>	<u>14,877,478</u>	<u>14,877,051</u>	<u>(427)</u>
Expenditures				
Current:				
Instruction:				
Regular	8,348,044	8,543,351	8,492,778	50,573
Special	1,454,171	1,698,499	1,691,431	7,068
Support Services:				
Pupils	668,814	616,451	615,648	803
Instructional Staff	308,228	268,506	266,890	1,616
Board of Education	19,120	18,815	18,248	567
Administration	1,223,597	1,185,645	1,181,602	4,043
Fiscal	393,797	412,605	403,654	8,951
Business	1,000	1,000	972	28
Operation and Maintenance of Plant	1,139,460	1,221,187	1,216,245	4,942
Pupil Transportation	959,209	1,039,291	1,021,329	17,962
Central	500	2,535	2,284	251
Extracurricular Activities	297,456	276,380	271,026	5,354
<i>Total Expenditures</i>	<u>14,813,396</u>	<u>15,284,265</u>	<u>15,182,107</u>	<u>102,158</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(143,864)	(406,787)	(305,056)	101,731
Other Financing Sources (Uses)				
Transfers Out	(35,000)	(35,000)	(35,000)	0
<i>Net Change in Fund Balance</i>	(178,864)	(441,787)	(340,056)	101,731
<i>Fund Balance Beginning of Year</i>	2,900,438	2,900,438	2,900,438	0
Prior Year Encumbrances Appropriated	48,301	48,301	48,301	0
<i>Fund Balance End of Year</i>	<u>\$2,769,875</u>	<u>\$2,506,952</u>	<u>\$2,608,683</u>	<u>\$101,731</u>

See accompanying notes to the basic financial statements

Liberty Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2017

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$23,429</u>
Liabilities	
Due to Students	<u>\$23,429</u>

See accompanying notes to the basic financial statements

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 - Description of the School District and Reporting Entity

Liberty Local School District (the School 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 School District is located in Northeast Ohio, in Trumbull County, in the greater metropolitan Youngstown area.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's elementary school and middle/high school staffed by 73 non-certified and 95 certificated personnel who provide services to 1,167 students and other community members.

Reporting Entity

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

Non-public Schools - Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

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

The School District is associated with two jointly governed organizations. These organizations are the Northeast Ohio Management Information Network and the Trumbull Career and Technical Center. These organizations are presented in Note 14 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds of the School District are divided into two categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Bond Retirement Fund The bond retirement fund accounts for and reports the accumulation of property tax revenues restricted for the payment of principal and interest and fiscal charges on general obligation debt.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

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

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

property taxes is recognized in the fiscal year in which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 16.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 16)

Pensions For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

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

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Cash and Cash Equivalents

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

During fiscal year 2017, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

The School District utilizes a financial institution to set aside the mandatory sinking fund payments required for the energy conservation improvement qualified school construction bonds. The balance in this account is presented as "cash and cash equivalents with fiscal agent."

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$6,758, of which \$3,133 is assigned from other School District funds.

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

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies and donated and purchased food held for resale.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the general fund represent money set aside as unclaimed monies. See Note 20 for additional information regarding set asides.

Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Governmental Activities Estimated Lives
Land Improvements	20 years
Building and Improvements	20 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	8 years

Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees with ten years of service at any age within the School District.

Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Bond Premiums and Discounts

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent. On the fund financial statements, bond premiums are receipted in the year the bonds are issued. On the government-wide financial statements, bond discounts are presented as a decrease of the face amount of the general obligation bonds payable. On the fund financial statements, bond discounts are expended as other financing use in the year the bonds are issued.

Internal Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, delegated that authority by State statute.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for auxiliary services and extracurricular activities.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Prepays

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaids using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and reflecting the expenditure/expense in the year in which the services are consumed.

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.

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original and final appropriations were passed by the Board of Education.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Note 3 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>				
Inventory	\$20,765	\$0	\$2,559	\$23,324
Honors Program	0	0	34,817	34,817
Unclaimed Monies	60,233	0	0	60,233
Prepays	20,311	0	0	20,311
<i>Total Nonspendable</i>	101,309	0	37,376	138,685
<i>Restricted for</i>				
Scholarships	0	0	5,361	5,361
Athletics	0	0	26,313	26,313
Auxiliary Services	0	0	11,553	11,553
Early Childhood Educational Programs	0	0	80,166	80,166
Student Programs	0	0	95,666	95,666
Debt Service Payments	0	1,710,295	0	1,710,295
Capital Improvements	0	0	397,317	397,317
<i>Total Restricted</i>	0	1,710,295	616,376	2,326,671
<i>Committed to</i>				
Other Purposes	19,192	0	0	19,192
<i>Assigned to</i>				
Purchases on Order				
Purchased Services	4,377	0	0	4,377
Materials and Supplies	8,341	0	0	8,341
Special Trust	7,362	0	0	7,362
Public School Support	8,779	0	0	8,779
Fiscal Year 2018 appropriations	854,526	0	0	854,526
<i>Total Assigned</i>	883,385	0	0	883,385
<i>Unassigned (Deficit)</i>	582,027	0	(27,630)	554,397
<i>Total Fund Balances (Deficit)</i>	\$1,585,913	\$1,710,295	\$626,122	\$3,922,330

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 4 – Accountability

Accountability

Fund balances at June 30, 2017, included individual fund deficits in the food service, title VI-B and reducing class size special revenue funds in the amounts of \$9,820, \$11,034, \$4,217.

The special revenue funds deficit balance resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
4. Budgetary revenues and expenditures of the special trust, public school support and retirement trust are classified to general fund for GAAP Reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund:

Net Change in Fund Balance	
	General
GAAP Basis	(\$302,547)
Net Adjustment for Revenue Accruals	(411,499)
Perspective Difference:	
Special Trust	(7,900)
Public School Support	(8,682)
Retirement Trust	305
Net Adjustment for Expenditure Accruals	355,570
Encumbrances	34,697
Budget Basis	(\$340,056)

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 6 - Deposits and Investments

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

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

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

Interim 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 or deposit accounts including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$4,914,063 of the School District's bank balance of \$5,164,063 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at hundred and two percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at one hundred and five percent.

Investments

As of June 30, 2017, the School District's only investment was in STAR Ohio with an amount of \$8,024 and a maturity of 45.5 days which is measured at net asset value per share.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Interest Rate Risk The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Note 7 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2017, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2017, was \$89,807 in the general fund, \$9,010 in the bond retirement fund and \$1,601 in the permanent improvement fund. The amount available as an advance at June 30, 2016, was \$44,843 in the general fund, \$4,509 in the bond retirement fund and \$796 in the permanent improvement fund.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$212,004,680	96.77%	\$212,850,000	96.47%
Public Utility Personal	7,084,200	3.23	7,788,600	3.53
Total	\$219,088,880	100.00%	\$220,638,600	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$52.05		\$52.05	

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 8 – Tax Abatements

School District property taxes were reduced as follows under community reinvestment area agreements entered into by overlapping governments:

Overlapping Government	Amount of Fiscal Year 2017 Taxes Abated
<i>Community Reinvestment Areas:</i>	
Liberty Township	\$12,100

Note 9 - Receivables

Receivables at June 30, 2017, consisted of taxes, accounts (rent and student fees), tuition and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
School Foundation FY 2017 Adjustment	\$248,028
Title I Grant	142,664
Worker's Compensation Rebate	25,182
Title VI-B Grant	31,455
Public School Preschool Grant	10,872
Trumbull County ESC	6,952
Improving Teacher Quality Grant	5,637
Food Service	2,406
Total	\$473,196

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Nondepreciable Capital Assets				
Land	\$349,160	\$0	\$0	\$349,160
Depreciable Capital Assets				
Land Improvements	\$1,291,028	\$115,277	\$0	\$1,406,305
Buildings and Improvements	16,578,418	189,338	0	16,767,756
Furniture and Fixtures	4,336,733	342,977	(139,079)	4,540,631
Vehicles	745,545	0	0	745,545
<i>Total at Historical Cost</i>	<u>22,951,724</u>	<u>647,592</u>	<u>(139,079)</u>	<u>23,460,237</u>
Less: Accumulated Depreciation				
Land Improvements	(1,199,328)	(67,011)	0	(1,266,339)
Buildings and Improvements	(9,204,951)	(279,022)	0	(9,483,973)
Furniture and Fixtures	(4,047,452)	(102,782)	137,180	(4,013,054)
Vehicles	(650,032)	(11,952)	0	(661,984)
<i>Total Accumulated Depreciation</i>	<u>(15,101,763)</u>	<u>(460,767) *</u>	<u>137,180</u>	<u>(15,425,350)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>7,849,961</u>	<u>186,825</u>	<u>(1,899)</u>	<u>8,034,887</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$8,199,121</u>	<u>\$186,825</u>	<u>(\$1,899)</u>	<u>\$8,384,047</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$329,357
Support Services	
Pupils	725
Instructional Staff	32,161
Administration	48,684
Operation and Maintenance of Plant	7,865
Pupil Transportation	11,234
Operation of Food Service	18,652
Extracurricular Activities	12,089
Total Depreciation Expense	<u>\$460,767</u>

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 11 – Long-Term Obligations

Original issue amounts and interest rates of the School District’s debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
2011 Energy Conservation Improvement Bonds			
Term Bonds	5.43%	2,327,350	2025
2014 Refunding Bonds:			
Serial Bonds	2.50% to 4.50%	4,335,000	2016 to 2020

Changes in long-term obligations of the School District during fiscal year 2017 were as follows:

	Principal Outstanding June 30, 2016	Additions	Deductions	Principal Outstanding June 30, 2017	Amount Due in One Year
Governmental Activities					
General Obligation Bonds					
Energy Conservation Improvement Bonds	\$2,327,350	\$0	\$0	\$2,327,350	\$0
2014 Refunding Bonds					
Serial Bonds	4,335,000	0	(805,000)	3,530,000	845,000
Premium	96,579	0	(21,867)	74,712	0
Discount	(34,189)	0	7,741	(26,448)	0
Total 2014 Refunding Bonds	4,397,390	0	(819,126)	3,578,264	845,000
<i>Total General Obligation Bonds</i>	6,724,740	0	(819,126)	5,905,614	845,000
Other Long-term Obligations					
Net Pension Liability:					
STRS	13,736,474	3,505,077	0	17,241,551	0
SERS	2,973,938	828,286	0	3,802,224	0
Total Net Pension Liability	16,710,412	4,333,363	0	21,043,775	0
Capital Lease	20,903	167,904	(28,500)	160,307	31,184
Compensated Absences	1,096,157	55,129	(86,476)	1,064,810	89,655
<i>Total Other Long-term Obligations</i>	17,827,472	4,556,396	(114,976)	22,268,892	120,839
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	\$24,552,212	\$4,556,396	(\$934,102)	\$28,174,506	\$965,839

On December 14, 2010, the School District issued \$2,327,350 in energy conservation improvement qualified school construction bonds to provide for energy improvements to various School District buildings. The primary source of repayment of this obligation is through energy savings as a result of the improvements. The improvements were not capitalized. The bonds were issued for a 15 year period and are subject to mandatory sinking fund payments. The School District may elect to receive payment directly from the Secretary of the United States Treasury equal to 97 percent of the corresponding interest payable on this issue. The bonds will be repaid from the bond retirement debt service fund.

On December 2, 2013, the School District issued general obligation bonds, in the amount of \$4,335,000, to currently refund bonds previously issued in fiscal year 2006 to advance refund the callable portion of 1997 general obligation bonds. The current refunding was undertaken to take advantage of lower interest rates.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The bonds were issued with interest rates varying from 2.5 percent to 4.5 percent and were issued for a 8 year period with final maturity on December 1, 2020. The bonds will be retired through the general obligation bond retirement debt service fund.

The bonds were sold at a premium of \$153,069 and a discount of \$54,187. The proceeds of the refunding bond were deposited in an irrevocable trust with an escrow agent to provide for the optional redemption on January 1, 2014 of \$4,345,000 of the outstanding 2006 refunding bonds so as to discharge and satisfy the obligations of the School District.

The School District decreased its aggregated debt service payments by \$158,196 over the next eight years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$141,526.

Compensated absences will be paid from the general fund and the food service, public school preschool, title VI-B, title I and improving teacher quality special revenue funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: general fund and food service, public school preschool, title VI-B, title I and improving teacher quality special revenue funds. For additional information related to the net pension liability see Note 16. The capital lease will be paid from the general fund.

The overall debt margin of the School District as of June 30, 2016, was \$15,710,419 with an unvoted debt margin of \$220,639. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2017, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds	
	Serial	
	Principal	Interest
2018	\$845,000	\$111,087
2019	885,000	76,387
2020	930,000	40,200
2021	870,000	11,963
Total	\$3,530,000	\$239,637

Fiscal Year Ending June 30,	2011 Energy Conservation Improvement Bonds			
	Principal	Interest	Subsidy	Sinking Fund Payment
2018	\$0	\$126,375	(\$122,186)	\$155,157
2019	0	126,375	(122,186)	155,157
2020	0	126,375	(122,186)	155,157
2021	0	126,375	(122,186)	155,157
2022	0	126,375	(122,186)	155,157
2023-2026	2,327,350	442,313	(427,649)	(775,785)
Total	\$2,327,350	\$1,074,188	(\$1,038,579)	\$0

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 12 – Capital Lease

In fiscal year 2017, the School District entered into capitalized lease obligations for copier equipment. These leases meet criteria for a capital lease and have been recorded on the government-wide statements.

The assets acquired through these capital leases are as follows:

<i>Asset:</i>	
Equipment & Furniture	\$167,904
Less: Accumulated Depreciation	<u>(16,791)</u>
Total Book Value as of June 30, 2017	<u><u>\$151,113</u></u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2017.

Fiscal Year Ending June 30,	Governmental Activities
2018	\$37,234
2019	\$37,234
2020	\$37,235
2021	\$37,234
2022	<u>27,926</u>
Total Minimum Lease Payments	176,863
Less: Amount Representing Interest	<u>(16,556)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$160,307</u></u>

Capital lease payments have been reclassified and reflected as debt service in the fund financial statements for the general fund. These expenditures are reflected as program expenditures on a budgetary basis.

Note 13 – Interfund Transfers

The general fund transferred \$35,000 to the district managed student activity special revenue fund to help fund athletic events.

Note 14 - Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among twenty-nine school districts and two educational service centers in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Liberty Local School District paid \$39,827 to NEOMIN during fiscal year 2017.

Liberty Local School District
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The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent (or NEOMIN). The Liberty Local School District was not represented on the Governing Board during fiscal year 2017. The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

Trumbull Career and Technical Center The Trumbull Career and Technical Center (the Center) is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The Center is operated under the direction of a Board consisting of one representative from each of the nineteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. The Board exercises total control over the operations of the Trumbull Career and Technical Center including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain financial information write to the Trumbull Career and Technical Center, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

Note 15 - Risk Management

Property and Liability

The School 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 School District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles and general liability.

General liability insurance is maintained in the amount of \$5,000,000 for each occurrence and \$7,000,000 in the aggregate.

The School District maintains fleet insurance in the amount of \$5,000,000 for any one accident or loss.

The School District maintains replacement cost insurance on buildings and contents in the amount of \$59,017,592.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have not been significant reductions in coverage from last year.

Employee Health Benefits

Effective January 1, 2014, the School District elected to provide employee medical/surgical, prescription drug and vision insurance through a fully funded program with the Ohio School Benefits Consortium and Medical Mutual. Effective January 1, 2016, the School District elected to provide dental through Delta Dental. Premium rates are \$1,772.20 for family coverage, \$1,451.03 for employee plus spouse and \$761.67 for single coverage. Employees pay 10 percent of the premium per month.

Liberty Local School District
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For the Fiscal Year Ended June 30, 2017

Worker's Compensation

The School District pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll times the contribution rate established by Worker's Compensation for the School District. This rate is calculated based on accident history and administrative costs.

Note 16 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

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Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$249,074 for fiscal year 2017. Of this amount \$22,350 is reported as an intergovernmental payable.

Liberty Local School District
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Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become

Liberty Local School District
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For the Fiscal Year Ended June 30, 2017

disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$808,558 for fiscal year 2017. Of this amount \$113,390 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.05211860%	0.04970307%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.05194950%</u>	<u>0.05150881%</u>	
Change in Proportionate Share	<u><u>-0.00016910%</u></u>	<u><u>0.00180574%</u></u>	
Proportionate Share of the Net Pension Liability	\$3,802,224	\$17,241,551	\$21,043,775
Pension Expense	\$355,051	\$1,314,956	\$1,670,007

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Liberty Local School District
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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$51,284	\$696,641	\$747,925
Changes of assumptions	253,819	0	253,819
Net difference between projected and actual earnings on pension plan investments	313,628	1,431,512	1,745,140
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	403,725	403,725
School District contributions subsequent to the measurement date	<u>249,074</u>	<u>808,558</u>	<u>1,057,632</u>
Total Deferred Outflows of Resources	<u><u>\$867,805</u></u>	<u><u>\$3,340,436</u></u>	<u><u>\$4,208,241</u></u>
Deferred Inflows of Resources			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>\$87,205</u>	<u>\$186,601</u>	<u>\$273,806</u>

\$1,057,632 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$114,443	\$375,681	\$490,124
2019	114,217	375,680	489,897
2020	212,711	924,994	1,137,705
2021	<u>90,155</u>	<u>668,922</u>	<u>759,077</u>
Total	<u><u>\$531,526</u></u>	<u><u>\$2,345,277</u></u>	<u><u>\$2,876,803</u></u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Liberty Local School District
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Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from

Liberty Local School District
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investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$5,033,908	\$3,802,224	\$2,771,254

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$22,912,621	\$17,241,551	\$12,457,670

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 17 – Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$29,811.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$29,811, \$25,832, and \$28,433, respectively. For fiscal year 2017, the full amount has been reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2016 and 2015.

State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by

Liberty Local School District
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STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Note 18 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation.

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation up to a maximum of 80 days for both certified and classified employees. An employee receiving such payment must meet the retirement provisions set by STRS Ohio and SERS.

Life Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance in the amount of \$75,000 to certified and classified employees and 2 times their salary for administrative staff.

Note 19 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Liberty Local School District
Notes to the Basic Financial Statements
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Litigation

The School District is a party to legal proceedings. The School District is of the opinion that ultimate disposition of these claims will not have a material effect, if any, on the financial condition of the School District.

Note 20 - Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula 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 and carried forward to be used for the same purposes in future years.

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

	Capital Improvements
Set Aside Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	206,775
Current Year Offsets	(155,247)
Qualifying Disbursements	(153,155)
Total	(\$101,627)
Set-aside Balance Carried	
Forward to Future Fiscal Years	\$0
Set Aside Balance as of June 30, 2017	\$0

Note 21 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$34,697
Other Governmental Funds	140,247
Total	\$174,944

Note 22 – Change in Accounting Principle

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The School District also implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

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Required Supplementary Information

Liberty Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the
Net Pension Liability
School Employees Retirement System of Ohio
*Last Four Fiscal Years (1)**

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.05194950%	0.05211860%	0.05479800%	0.05479800%
School District's Proportionate Share of the Net Pension Liability	\$3,802,224	\$2,973,938	\$2,773,296	\$3,258,661
School District's Covered Payroll	\$1,636,343	\$1,556,844	\$1,592,328	\$1,698,237
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	232.36%	191.02%	174.17%	191.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

Liberty Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the
Net Pension Liability
State Teachers Retirement System of Ohio
*Last Four Fiscal Years (1)**

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.05150881%	0.04970307%	0.05076883%	0.05076883%
School District's Proportionate Share of the Net Pension Liability	\$17,241,551	\$13,736,474	\$12,348,736	\$14,709,734
School District's Covered Payroll	\$5,469,000	\$5,213,393	\$5,144,243	\$5,536,569
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	315.26%	263.48%	240.05%	265.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

Liberty Local School District, Ohio
Required Supplementary Information
Schedule of the School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$249,074	\$229,088	\$205,192	\$220,697
Contributions in Relation to the Contractually Required Contribution	<u>(249,074)</u>	<u>(229,088)</u>	<u>(205,192)</u>	<u>(220,697)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$1,779,100	\$1,636,343	\$1,556,843	\$1,592,328
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$235,036	\$259,962	\$256,183	\$270,465	\$202,510	\$197,314
(235,036)	(259,962)	(256,183)	(270,465)	(202,510)	(197,314)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,698,237	\$1,932,803	\$2,038,052	\$1,997,527	\$2,058,031	\$2,009,312
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Liberty Local School District, Ohio
Required Supplementary Information
Schedule of the School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$808,558	\$765,660	\$729,875	\$668,752
Contributions in Relation to the Contractually Required Contribution	<u>(808,558)</u>	<u>(765,660)</u>	<u>(729,875)</u>	<u>(668,752)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$5,775,414	\$5,469,000	\$5,213,393	\$5,144,243
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$719,754	\$758,345	\$784,300	\$821,537	\$862,484	\$883,542
(719,754)	(758,345)	(784,300)	(821,537)	(862,484)	(883,542)
\$0	\$0	\$0	\$0	\$0	\$0
\$5,536,569	\$5,833,423	\$6,033,077	\$6,319,515	\$6,634,492	\$6,796,477
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Liberty Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program/Cluster Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
<i>Nutrition Cluster:</i>			
National School Breakfast Program	10.553	\$131,482	\$131,482
National School Lunch Program	10.555	327,521	327,521
<i>Non-Cash Assistance:</i>			
National School Lunch Program	10.555	43,773	43,773
Total U.S. Department of Agriculture - Nutrition Cluster		<u>502,776</u>	<u>502,776</u>
Team Nutrition Training Grant	10.574	2,863	2,863
Total U.S. Department of Agriculture		<u>505,639</u>	<u>505,639</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	52,378	59,078
	84.010	487,577	431,078
Total Title I Part A Grants to Local Educational Agencies		<u>539,955</u>	<u>490,156</u>
<i>Special Education Grants to States:</i>			
Special Education Grants to States	84.027	34,793	35,099
	84.027	240,618	240,380
Total Special Education Grants to States		<u>275,411</u>	<u>275,479</u>
Improving Teacher Quality State Grants	84.367	14,583	15,117
	84.367	81,863	81,834
Total Improving Teacher Quality State Grants		<u>96,446</u>	<u>96,951</u>
Total U.S. Department of Education		<u>911,812</u>	<u>862,586</u>
Totals:		<u><u>\$1,417,451</u></u>	<u><u>\$1,368,225</u></u>

The accompanying notes are an integral part of this schedule.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Liberty Local School District (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Liberty Local School District
Trumbull County
4115 Shady Road
Youngstown, Ohio 44505-1397

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 26, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
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www.ohioauditor.gov

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 26, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Liberty Local School District
Trumbull County
4115 Shady Road
Youngstown, Ohio 44505-1397

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Liberty Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Liberty Local School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. 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 our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Liberty Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 26, 2017

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): Special Education Cluster	CFDA # 84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

**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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LIBERTY LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 30, 2018