

**LIBERTY LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**

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REPORT OF INDEPENDENT ACCOUNTANTS

Liberty Local School District  
Trumbull County  
4115 Shady Road  
Youngstown, Ohio 44503

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Liberty Local School District, Trumbull County, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Liberty Local School District, Trumbull County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 20 to the financial statements, the General Fund did not have sufficient equity in pooled cash and investments to meet any of the set aside requirement for the budget stabilization reserve account. The required set aside amount as of June 30, 1999 is \$118,042. This amount is not reflected in the General Fund's Unreserved Fund Balance of \$(1,031,604) on the Combined Balance Sheet.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Districts, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



Jim Petro  
Auditor of State

February 21, 2000

Liberty Local School District



**Liberty Local School District**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups, Continued**  
**June 30, 1999**

	Governmental Fund Types					Proprietary Fund Types			Fiduciary Fund Types			Totals	
	General	Special Revenue	Debt Service	Capital Project	Internal Service	Enterprise	Trust and Agency	Account Groups		General (Memorandum) (Only)	1999		
								Fixed Assets	Long-Term Debt				
<b>Liabilities:</b>													
Interfund Payable	0	17,637	0	0	0	0	0	0	0	0	0	17,637	
Intergovernmental Payable	6,725	137,011	0	0	16,013	0	21,887	0	84,403	0	0	266,039	
Accounts Payable	148,580	24,606	0	0	0	0	5,502	0	0	0	0	178,688	
Contracts Payable	0	0	0	836,582	0	0	0	0	0	0	0	836,582	
Claims Payable	0	0	0	0	0	215,168	0	0	0	0	0	215,168	
Accrued Salaries and Benefits	821,737	148,922	0	0	22,845	0	0	0	0	0	0	993,504	
Deferred Revenue	3,897,850	1,464,821	732,499	150,737	3,906	0	0	0	0	0	0	6,249,813	
Due to Others	0	0	0	0	0	0	37,545	0	0	0	0	37,545	
Accrued Interest Payable	0	0	0	416	0	0	0	0	0	0	0	416	
General Obligation Notes Payable	0	0	0	38,834	0	0	0	0	0	0	0	38,834	
General Obligation Bonds Payable	0	0	0	0	0	0	0	0	11,200,000	0	0	11,200,000	
Compensated Absences Payable	94,373	0	0	0	4,797	0	0	0	64,187	0	0	163,357	
<b>Total Liabilities</b>	<b>4,969,265</b>	<b>1,792,997</b>	<b>732,499</b>	<b>1,026,569</b>	<b>47,561</b>	<b>215,168</b>	<b>64,934</b>	<b>0</b>	<b>11,348,590</b>	<b>0</b>	<b>0</b>	<b>20,197,583</b>	
<b>Fund Equity and Other Credits:</b>													
Investment in General Fixed Assets	0	0	0	0	0	0	0	23,862,344	0	0	0	23,862,344	
Retained Earnings	0	0	0	0	79,040	(194,222)	0	0	0	0	0	(115,182)	
<b>Fund Balances:</b>													
Reserved for Inventory	2,134	0	0	0	0	0	0	0	0	0	0	2,134	
Reserved for Debt	0	0	341,231	0	0	0	0	0	0	0	0	341,231	
Reserved for Encumbrances	0	6,889	0	2,109,702	0	0	480	0	0	0	0	2,117,071	
Reserved for Future Appropriation	30,492	11,454	5,785	1,112	0	0	0	0	0	0	0	48,843	
Unreserved Fund Balance	(1,031,604)	(182,166)	0	623,502	0	0	8,793	0	0	0	0	(581,475)	
<b>Total Fund Equity</b>	<b>(998,978)</b>	<b>(163,823)</b>	<b>347,016</b>	<b>2,734,316</b>	<b>0</b>	<b>0</b>	<b>9,273</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,927,804</b>	
<b>Total Fund Balances/Retained Earnings and Other Credits</b>	<b>(998,978)</b>	<b>(163,823)</b>	<b>347,016</b>	<b>2,734,316</b>	<b>79,040</b>	<b>(194,222)</b>	<b>9,273</b>	<b>23,862,344</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,674,966</b>	
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 3,970,287</b>	<b>\$ 1,629,174</b>	<b>\$ 1,079,515</b>	<b>\$ 3,760,885</b>	<b>\$ 126,601</b>	<b>\$ 20,946</b>	<b>\$ 74,207</b>	<b>\$ 23,862,344</b>	<b>\$ 11,348,590</b>	<b>\$ 0</b>	<b>\$ 45,872,549</b>		

See Accompanying Notes to the General Purpose Financial Statements.

**Liberty Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**All Governmental Fund Types and Similar Fiduciary Fund Types**  
**Year Ended June 30, 1999**

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Fund Types Expendable Trust	(Memorandum) (Only)
<b>REVENUES:</b>						
Taxes	\$ 3,779,602	1,417,477	712,123	140,046	0	\$ 6,049,248
Tuition	275	0	0	0	0	275
Earnings on Investments	63,690	0	0	387,449	0	451,139
Extracurricular Activities	0	166,218	0	0	0	166,218
Classroom Materials and Fees	0	88,622	0	0	0	88,622
Miscellaneous	27,762	3,867	0	14,715	0	46,344
Revenue from State Sources						
Unrestricted Grants-in-Aid	3,692,966	214,291	84,876	16,012	0	4,008,145
Restricted Grants-in-Aid	7,450	66,361	0	154,141	0	227,952
Revenue from Federal Sources						
Restricted Grants-in-Aid	0	268,880	0	0	0	268,880
<b>Total Revenue</b>	<b>7,571,745</b>	<b>2,225,716</b>	<b>796,999</b>	<b>712,363</b>	<b>0</b>	<b>11,306,823</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
Instruction						
Regular	3,539,045	1,052,014	0	3,862	230	4,595,151
Special	1,004,127	320,318	0	0	0	1,324,445
Vocational	63,601	0	0	0	0	63,601
Supporting Services						
Pupils	281,902	65,695	0	0	0	347,597
Instructional Staff	146,496	127,483	0	0	0	273,979
Board of Education	12,013	37	0	1,095	0	13,145
Administration	745,767	260,324	0	0	0	1,006,091
Fiscal Services	230,339	114,723	0	0	0	345,062
Business	16,886	28,199	0	0	0	45,085
Operation & Maintenance-Plant	870,827	136,345	10,242	346,009	0	1,363,423
Pupil Transportation	533,636	97,580	0	0	0	631,216
Central	25,357	7,588	0	149,137	0	182,082
Operation of Non-Instructional Services						
Food Services	22,046	2,892	0	0	0	24,938
Community Services	0	10,564	0	0	0	10,564
Extracurricular Activities						
Academic & Subject Oriented	21,604	74,123	0	0	0	95,727
Sports Oriented	150,401	105,308	0	0	0	255,709
Co-Curricular Activities	7,547	0	0	0	0	7,547
Architecture & Eng./Bldg. & Construction	0	0	0	7,798,745	0	7,798,745
Debt Service						
Repayment of Debt	0	0	495,099	810	0	495,909
<b>Total Expenditures</b>	<b>7,671,594</b>	<b>2,403,193</b>	<b>505,341</b>	<b>8,299,658</b>	<b>230</b>	<b>18,880,016</b>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(99,849)	(177,477)	291,658	(7,587,295)	(230)	(7,573,193)
Other Financing Sources and Uses:						
Other Financing Sources						
Proceeds from Sale of Notes	0	0	0	0	0	0
Transfers-In	339,979	211,633	817	1,972	0	554,401
Other Revenues	47,842	0	0	0	0	47,842
Other Uses	0	(4,923)	0	0	0	(4,923)
Transfers-Out	(551,612)	0	0	(2,789)	0	(554,401)
Net Other Financing Sources and Uses	(163,791)	206,710	817	(817)	0	42,919
Excess (Deficiency) of Revenues and Other Sources Over Expenditure						
Disbursement and Other Uses	(263,640)	29,233	292,475	(7,588,112)	(230)	(7,530,274)
Beginning Fund Balance	(735,338)	(193,056)	54,541	10,322,428	3,626	9,452,201
Ending Fund Balance	\$ (998,978)	(163,823)	347,016	2,734,316	3,396	\$ 1,921,927

See Accompanying Notes to the General Purpose Financial Statements.

**Liberty Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget (Non-GAAP Basis) and Actual**  
**All Governmental Fund Types and Similar Fiduciary Fund Types**  
**Year Ended June 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 3,813,590	3,813,590	0	1,430,126	1,430,126	\$ 0
Tuition	250	250	0	0	0	0
Earnings on Investment	63,690	63,690	0	0	0	0
Extracurricular Activities	0	0	0	165,833	165,833	0
Classroom Materials and Fees	0	0	0	88,704	88,704	0
Miscellaneous	41,241	41,241	0	3,939	3,939	0
State Unrestricted Grants-in-Aid	3,692,966	3,692,966	0	214,291	214,291	0
State Restricted Grants-in-Aid	6,900	6,900	0	66,361	66,361	0
Federal Restricted Grants-in-Aid	0	0	0	240,921	240,921	0
<b>Total Revenue</b>	<b>7,618,637</b>	<b>7,618,637</b>	<b>0</b>	<b>2,210,175</b>	<b>2,210,175</b>	<b>0</b>
<b>Expenditures:</b>						
Regular Instruction	3,474,689	3,474,689	0	1,082,220	1,068,143	14,077
Special Instruction	1,080,270	1,080,270	0	374,023	334,595	39,428
Vocational Instruction	71,970	71,970	0	0	0	0
Support Services-Pupils	265,189	265,189	0	66,111	65,458	653
Support Services-Instructional Staff	153,233	153,233	0	131,932	119,912	12,020
Support Services-Board of Education	12,365	12,365	0	37	37	0
Support Services-Administration	747,503	747,503	0	274,529	274,475	54
Fiscal Services	229,102	229,102	0	116,541	116,241	300
Support Services-Business	16,886	16,886	0	29,241	28,199	1,042
Operation & Maintenance-Plant	866,371	866,371	0	139,978	139,967	11
Support Services-Transportation	528,840	528,840	0	100,142	100,142	0
Support Services-Central	25,300	25,300	0	8,960	7,873	1,087
Food Services Operations	22,046	22,046	0	3,256	3,256	0
Community Services	0	0	0	13,914	10,564	3,350
Academic & Subject Oriented	21,604	21,604	0	73,549	73,549	0
Sports Oriented	150,401	150,401	0	112,155	112,155	0
Co-Curricular Activities	7,547	7,547	0	0	0	0
Architecture & Eng./Bldg. & Construction	0	0	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>7,673,316</b>	<b>7,673,316</b>	<b>0</b>	<b>2,526,588</b>	<b>2,454,566</b>	<b>72,022</b>
Excess of Revenue Over (Under) Expenditures	(54,679)	(54,679)	0	(316,413)	(244,391)	72,022
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Notes	0	0	0	0	0	0
Transfers-In	339,979	339,979	0	229,271	211,633	(17,638)
Advances-In	0	0	0	0	17,637	17,637
Other Sources	34,226	34,226	0	0	(4,923)	(4,923)
Transfers-Out	(551,612)	(551,612)	0	0	0	0
Advances-Out	0	0	0	0	0	0
<b>Total Other Sources (Uses)</b>	<b>(177,407)</b>	<b>(177,407)</b>	<b>0</b>	<b>229,271</b>	<b>224,347</b>	<b>(4,924)</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(232,086)</b>	<b>(232,086)</b>	<b>0</b>	<b>(87,142)</b>	<b>(20,044)</b>	<b>67,098</b>
Beginning Fund Balance	132,197	132,197	0	100,810	100,810	0
Prior Year Carry Over Encumbrances	99,891	99,891	0	16,021	16,021	0
<b>Ending Fund Balance</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>0</b>	<b>\$ 29,689</b>	<b>\$ 96,787</b>	<b>\$ 67,098</b>

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

**Liberty Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget (Non-GAAP Basis) and Actual**  
**All Governmental Fund Types and Similar Fiduciary Fund Types - Continued**  
**Year Ended June 30, 1999**

	Debt Service Funds			Capital Service Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 787,944	787,944	0	71,743	71,743	\$ 0
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	387,449	387,449	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials and Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	14,715	14,715	0
State Unrestricted Grants-in-Aid	92,895	92,895	0	7,993	7,993	0
State Restricted Grants-in-Aid	0	0	0	154,141	154,141	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
<b>Total Revenue</b>	<b>880,839</b>	<b>880,839</b>	<b>0</b>	<b>636,041</b>	<b>636,041</b>	<b>0</b>
<b>Expenditures:</b>						
Regular Instruction	0	0	0	3,862	3,862	0
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	744	744	0	1,345	1,345	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	0	0	0	500	500	0
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	10,242	10,242	0	351,848	351,848	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	154,141	149,137	5,004
Food Services Operations	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Architecture & Eng./Bldg. & Construction	0	0	0	9,901,961	9,901,961	0
Repayment of Debt	573,411	573,411	0	0	0	0
<b>Total Expenditures</b>	<b>584,397</b>	<b>584,397</b>	<b>0</b>	<b>10,413,657</b>	<b>10,408,653</b>	<b>5,004</b>
Excess of Revenue Over (Under) Expenditures	296,442	296,442	0	(9,777,616)	(9,772,612)	5,004
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Notes	0	0	0	0	0	0
Transfers-In	2,789	2,789	0	0	0	0
Advances-In	0	0	0	0	0	0
Other Sources	0	0	0	0	0	0
Transfers-Out	0	0	0	(2,789)	(2,789)	0
Advances-Out	0	0	0	(17,637)	(17,637)	0
<b>Total Other Sources (Uses)</b>	<b>2,789</b>	<b>2,789</b>	<b>0</b>	<b>(20,426)</b>	<b>(20,426)</b>	<b>0</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	299,231	299,231	0	(9,798,042)	(9,793,038)	5,004
Beginning Fund Balance	41,598	41,598	0	10,108,437	10,108,437	0
Prior Year Carry Over Encumbrances	400	400	0	329,613	329,613	0
<b>Ending Fund Balance</b>	<b>341,229</b>	<b>341,229</b>	<b>0</b>	<b>640,008</b>	<b>645,012</b>	<b>5,004</b>

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)



**Liberty Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget (Non-GAAP Basis) and Actual**  
**All Governmental Fund Types and Similar Fiduciary Fund Types - Continued**  
**Year Ended June 30, 1999**

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 0	0	0	6,103,403	6,103,403	\$ 0
Tuition	0	0	0	250	250	0
Earnings on Investment	0	0	0	451,139	451,139	0
Extracurricular Activities	0	0	0	165,833	165,833	0
Classroom Materials and Fees	0	0	0	88,704	88,704	0
Miscellaneous	0	0	0	59,895	59,895	0
State Unrestricted Grants-in-Aid	0	0	0	4,008,145	4,008,145	0
State Restricted Grants-in-Aid	0	0	0	227,402	227,402	0
Federal Restricted Grants-in-Aid	0	0	0	240,921	240,921	0
<b>Total Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,345,692</b>	<b>11,345,692</b>	<b>0</b>
<b>Expenditures:</b>						
Regular Instruction	710	710	0	4,561,481	4,547,404	14,077
Special Instruction	0	0	0	1,454,293	1,414,865	39,428
Vocational Instruction	0	0	0	71,970	71,970	0
Support Services-Pupils	0	0	0	331,300	330,647	653
Support Services-Instructional Staff	0	0	0	285,165	273,145	12,020
Support Services-Board of Education	0	0	0	14,491	14,491	0
Support Services-Administration	0	0	0	1,022,032	1,021,978	54
Fiscal Services	0	0	0	346,143	345,843	300
Support Services-Business	0	0	0	46,127	45,085	1,042
Operation & Maintenance-Plant	0	0	0	1,368,439	1,368,428	11
Support Services-Transportation	0	0	0	628,982	628,982	0
Support Services-Central	0	0	0	188,401	182,310	6,091
Food Services Operations	0	0	0	25,302	25,302	0
Community Services	0	0	0	13,914	10,564	3,350
Academic & Subject Oriented	0	0	0	95,153	95,153	0
Sports Oriented	0	0	0	262,556	262,556	0
Co-Curricular Activities	0	0	0	7,547	7,547	0
Architecture & Eng./Bldg. & Construction	0	0	0	9,901,961	9,901,961	0
Repayment of Debt	0	0	0	573,411	573,411	0
<b>Total Expenditures</b>	<b>710</b>	<b>710</b>	<b>0</b>	<b>21,198,668</b>	<b>21,121,642</b>	<b>77,026</b>
Excess of Revenue Over (Under) Expenditures	(710)	(710)	0	(9,852,976)	(9,775,950)	77,026
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Notes	0	0	0	0	0	0
Transfers-In	0	0	0	572,039	554,401	(17,638)
Advances-In	0	0	0	0	17,637	17,637
Other Sources	0	0	0	34,226	29,303	(4,923)
Transfers-Out	0	0	0	(554,401)	(554,401)	0
Advances-Out	0	0	0	(17,637)	(17,637)	0
<b>Total Other Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34,227</b>	<b>29,303</b>	<b>(4,924)</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(710)</b>	<b>(710)</b>	<b>0</b>	<b>(9,818,749)</b>	<b>(9,746,647)</b>	<b>72,102</b>
Beginning Fund Balance	3,626	3,626	0	10,386,668	10,386,668	0
Prior Year Carry Over Encumbrances	0	0	0	445,925	445,925	0
<b>Ending Fund Balance</b>	<b>2,916</b>	<b>2,916</b>	<b>0</b>	<b>1,013,844</b>	<b>1,085,946</b>	<b>72,102</b>

See Accompanying Notes to the General Purpose Financial Statements.

**Liberty Local School District**  
**Combined Statement of Revenues, Expenses, and Changes in Retained Earnings**  
**All Proprietary Fund Types and Non-Expendable Trust Fund**  
**Year Ended June 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Fund	Non-Expendable Trust Fund	
<b>Operating Revenues:</b>				
Food Services	\$ 216,729	0	0	\$ 216,729
Earnings on Investments	0	0	641	641
Insurance Premiums	0	732,338	0	732,338
Total Operating Revenue	<u>216,729</u>	<u>732,338</u>	<u>641</u>	<u>949,708</u>
<b>Operating Expenses:</b>				
Personal Services - Salary	115,389	0	0	115,389
Employee Benefits	44,819	694,583	0	739,402
Purchased Services	11,110	170,334	0	181,444
Supplies and Materials	202,141	0	559	202,700
Other Objects	723	0	0	723
Depreciation	1,134	0	0	1,134
Total Operating Expenses	<u>375,316</u>	<u>864,917</u>	<u>559</u>	<u>1,240,792</u>
Operating Income (Loss)	(158,587)	(132,579)	82	(291,084)
<b>Non-Operating Revenues:</b>				
Earnings on Investments	0	1,860	0	1,860
State Unrestricted Grants-in-Aid	6,331	0	0	6,331
Federal Restricted Grants-in-Aid	141,593	0	0	141,593
Total Non-Operating Revenues	<u>147,924</u>	<u>1,860</u>	<u>0</u>	<u>149,784</u>
<b>Non-Operating Expenses:</b>				
Loss on Disposal of Assets	(776)	0	0	(776)
Total Non-Operating Expenses	<u>(776)</u>	<u>0</u>	<u>0</u>	<u>(776)</u>
Net Income (Loss)	(11,439)	(130,719)	82	(142,076)
Beginning Retained Earnings	90,479	(63,503)	5,795	32,771
Retained Earnings at End of Year	<u>\$ 79,040</u>	<u>(194,222)</u>	<u>5,877</u>	<u>\$ (109,305)</u>

See Accompanying Notes to the General Purpose Financial Statements.

**Liberty Local School District**  
**Combined Statement of Changes in Cash Flows**  
**All Proprietary Fund Types and Non-Expendable Trust Fund**  
**Year Ended June 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Fund	Non-Expendable Trust Fund	
Cash Flows from Operating Activities				
Operating Gain (Loss)	\$ (158,587)	(132,579)	82	\$ (291,084)
Adjustment to Reconcile Operating Gain (Loss)				
To Net Cash used in Operating Activities:				
Depreciation	1,134	0	0	1,134
Net (Increase) Decrease in Assets:				
Accounts Receivable	194	214	0	408
Intergovernmental Receivable	2,563	0	0	2,563
Inventory	(3,515)	0	0	(3,515)
Net Increases (Decreases) in Liabilities:				
Accounts Payable	(99)	(6,024)	0	(6,123)
Intergovernmental Payable	3,067	0	0	3,067
Deferred Revenue	2,983	0	0	2,983
Claims Payable	0	90,447	0	90,447
Accrued Salaries and Benefits	2,852	0	0	2,852
Compensated Absences	(627)	0	0	(627)
Total Adjustments	8,552	84,637	0	93,189
Net Cash Used in Operating Activities	(150,035)	(47,942)	82	(197,895)
Cash Flows from Non-Capital Activities:				
Earnings on Investments	0	1,860	0	1,860
Operating Grants from State Sources	6,331	0	0	6,331
Operating Grants from Federal Sources	108,699	0	0	108,699
Federal Commodities	32,894	0	0	32,894
Net Cash Provided by Non-Capital Financing Sources	147,924	1,860	0	149,784
Cash Flows from Capital Activities:				
Acquisition of Assets	(11,115)	0	0	(11,115)
Net Increase in Cash & Cash Equivalents	(13,226)	(46,082)	82	(59,226)
Cash and Cash Equivalents at Beginning of Year	18,866	66,743	5,795	91,404
Cash and Cash Equivalents at End of Year	<u>\$ 5,640</u>	<u>20,661</u>	<u>5,877</u>	<u>\$ 32,178</u>

See Accompanying Notes to the General Purpose Financial Statements.

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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**Note 1. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

Average daily membership (ADM) as of October 1, 1998, was 1,781. The District employed 123 certified employees and 65 non-certificated employees. The District is supervised by the Trumbull County Educational Service Center, a separate entity.

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

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, The Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the district is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

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

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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**Note 1. Summary of Significant Accounting Policies (continued)**

provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

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

**B. Fund Accounting**

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

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

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

Governmental Fund Types

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

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

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

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

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

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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**Note 1. Summary of Significant Accounting Policies (continued)**

Proprietary Fund Types

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

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

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

Fiduciary Fund Types

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

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Fund - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

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

Account Groups

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

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

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

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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**Note 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus/Basis of Accounting**

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

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
  - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
  - b) Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, and are not intended to finance fiscal year 1999 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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

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

**D. Budget and Budgetary Accounting**

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

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

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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**Note 1. Summary of Significant Accounting Policies (continued)**

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

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

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

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



**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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**Note 1. Summary of Significant Accounting Policies (continued)**

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 1999, investments were limited to STAR Ohio, repurchase agreements, and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue was credited to the General Fund, Capital Project Fund, Internal Service Fund and Trust Funds during the fiscal year and amounted to \$453,640.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**F. Taxes Receivable**

The financial statements reflect taxes receivable as of June 30, 1999. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 1999 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

**G. Inventories**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

Liberty Local School District  
Notes to the General Purpose Financial Statements  
Year Ended June 30, 1999

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**Note 1. Summary of Significant Accounting Policies (continued)**

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

I. Fixed Assets

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

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available.

Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

Entitlements:

General Fund

State Foundation Program  
School Bus Funding

Special Revenue Funds

Educational Management Information Systems

Capital Project Funds

School Net Plus Grant

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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**Note 1. Summary of Significant Accounting Policies (continued)**

Non-Reimbursable Grants:

Special Revenue Funds

DPIA  
Textbook Subsidy  
Title I  
Title VI  
Title VI B  
Child Age Grant

Reimbursable Grants:

General Fund

Driver Education Reimbursement  
Tutor Reimbursement

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 37% of the District's operating revenue during the 1999 fiscal year.

**K. Short-Term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds". Short-term interfund loans are classified as "interfund receivables/payables". At June 30, 1999, the District had no "Due to/from Other Funds" and \$17,637 in "interfund receivables/payables."

**L. Advances to Other Funds**

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 1999 the District had no long-term interfund loans.

**M. Compensated Absences**

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

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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**Note 1. Summary of Significant Accounting Policies (continued)**

to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

**N. Contributed Capital**

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

**O. Long-Term Obligations**

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

**P. Interfund Transactions**

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

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

**Q. Fund Balance Reserves**

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for supplies inventory, debt, encumbrances, and future appropriation. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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**Note 1. Summary of Significant Accounting Policies (continued)**

appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

**R. Memorandum Only - Total Columns**

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

**S. Estimates**

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

**Note 2. Budgetary Basis of Accounting**

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types and Similar Fiduciary Type Fund				
	Governmental Fund Types				Fiduciary Fund Type
	General Fund	Special Revenue	Debt Service	Capital Project	Expendable Trust
GAAP Basis	\$ (263,640)	29,233	292,475	(7,588,112)	\$ (230)
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenue	46,892	(15,541)	83,840	(76,322)	0
Due to Expenditures:					
Net Adjustments to Expenditure	(1,722)	(51,373)	(79,056)	(2,108,995)	(480)
Due to Other Sources/Uses	(13,616)	17,637	1,972	(19,609)	0
Budget Basis	\$ (232,086)	(20,044)	299,231	(9,793,038)	\$ (710)

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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**Note 3. Accountability and Compliance**

Pursuant to Section 117.11(A) of the Revised Code, the Auditor of State performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

**Note 4. Cash and Investments**

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and

**Liberty Local School District  
Notes to the General Purpose Financial Statements  
Year Ended June 30, 1999**

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**Note 4. Cash and Investments (continued)**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

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

Deposits: at year end, the carrying amount of the District's deposits was \$399,309 and the bank balance was \$125,374. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$25,374 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

	Category			Reported Amount	Fair Value
	1	2	3		
Common Stock Certificates	0	0	\$ 24,286	\$ 24,286	\$ 24,286
STAR Ohio	--	N/A	--	3,757,695	3,757,695
Total Investments				<u>\$ 3,781,981</u>	<u>\$ 3,781,981</u>

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

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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**Note 4. Cash and Investments (continued)**

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

	Cash and Cash Equivalents	Investments
GASB Statement No.9	\$ 4,157,004	\$ 24,286
Investments:		
STAR Ohio	(3,757,695)	3,757,695
GASB Statement No.3	\$ 399,309	\$ 3,781,981

**Note 5. Property Tax**

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Trumbull County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1993, an update was done in 1997. The next revaluation is scheduled for 1999. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value.

Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28.

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





**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

**Note 7. Fixed Assets**

The following is a summary of the proprietary funds property, plant and equipment at June 30, 1999:

Furniture and Equipment	\$ 213,726
Less Accumulated Depreciation	<u>(117,935)</u>
Net Fixed Assets	<u>\$ 95,791</u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1999:

	General Fixed Assets June 30, 1998	Additions	Deletions	General Fixed Assets June 30, 1999
Land and Improvements	\$ 1,044,379	0	0	\$ 1,044,379
Buildings	8,787,007	0	0	8,787,007
Construction in Progress	0	7,652,244	0	7,652,244
Furniture and Equipment	5,575,102	146,278	21,949	5,699,431
Vehicles	632,591	120,000	73,308	679,283
Total General Fixed Assets	<u>\$ 16,039,079</u>	<u>7,918,522</u>	<u>95,257</u>	<u>\$ 23,862,344</u>

The District currently has a new high school facility under construction.

**Note 8. Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$725,256, \$710,688, and \$665,040, respectively; 83.3 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$120,876 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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**Note 8. Defined Benefit Pension Plans (continued)**

**B. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.02 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$286,564, \$189,372, and \$159,192, respectively; 44.6 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$115,780 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**Note 9. Postemployment Benefits**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 3.5 percent. For the District, this amount equaled \$181,314 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998 (the latest information available). For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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**Note 9. Postemployment Benefits (continued)**

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million (the latest information available). SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$88,859 during the 1999 fiscal year.

**Note 10. Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. The Superintendent and Treasurer are granted twenty days of vacation per year.

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 and administrators upon termination of employment.

The Classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
1-6	10
7-12	15
13-beyond	20

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis.

Retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of ten consecutive years at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to a minimum of one-fourth of all accumulated sick leave credited to that employee up to thirty days and an additional one-eighth of all accumulated sick leave in excess of thirty days.

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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**Note 11. Risk Management**

**A. General Risk**

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

General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 in the aggregate.

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$31,420,401.

**B. Workers Compensation-Public Entity Risk Pool**

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

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

**Note 12. Notes and Long-Term Debt**

Notes Payable:

The \$38,834 of outstanding general fund notes payable relate to a project in the original principal amount of \$115,500 dated April, 1999 with an interest rate of 4.3% for the purpose of renovating, improving, remodeling, constructing, adding to, furnishing and equipping school facilities and improving their sites. These notes mature October, 1999, and are in full compliance with the general laws of the State of Ohio and are funded by inside millage.

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

**Note 12. Notes and Long-Term Debt (continued)**

The annual maturities of the general obligation notes as of June 30, 1999, and related interest payments are as follows:

	Principal	Interest	Payment
FY2000	\$ 38,834	842	\$ 39,676
	\$ 38,834	842	\$ 39,676

General Obligation Bonds Payable:

The \$11,200,000 of outstanding general obligation bond relate to a project in 1999, for which bonds were issued for the purpose of constructing and equipping a new high school building, renovating other school buildings, equipping and improving the site thereof. These general obligation bonds are a direct obligation of the District and will be paid from the general bond retirement debt service fund using proceeds from a school improvement levy. These bonds mature December 2020, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof. The issue has an average interest rate of 5.23%.

The annual maturities of the general obligation bonds as of June 30, 1999, and related interest payments are as follows:

	Principal	Interest	Payment
FY2000	\$ 295,000	492,722	\$ 787,722
FY2001	320,000	486,748	806,748
FY2002	330,000	474,135	804,135
FY2003	360,000	460,482	820,482
FY2004	395,000	445,730	840,730
FY2005 and thereafter	9,500,000	6,705,809	16,205,809
	\$ 11,200,000	9,065,626	\$ 20,265,626

A summary of changes in long-term obligations for the year ended June 30, 1999, are as follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Intergovernmental Payable	\$ 75,827	84,403	75,827	\$ 84,403
Bonds Payable	11,200,000	0	0	11,200,000
Compensated Absences Payable	680,792	64,187	680,792	64,187
	\$ 11,956,619	148,590	756,619	\$ 11,348,590

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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**Note 13. Fund Deficits**

Fund balances at June 30, 1999, included the following individual fund deficits:

General Fund:	\$(998,978)
Special Revenue: Emergency Levy Fund	\$(237,021)

Retained Earnings at June 30, 1999, included the following individual deficits:

Internal Service: Self Insurance Fund	\$(194,222)
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The general fund and special revenue fund deficits are due primarily to the adjustments for accrued wages and benefit liabilities. The internal service fund deficit is due primarily to the accrual of incurred but not reported claims for medical insurance. The general fund is liable for any deficits in the funds and provides operating transfers when cash is required, not when accruals occur.

**Note 14. Jointly Governed Organizations**

NORTH EAST OHIO MANAGEMENT INFORMATION NETWORK- (NEOMIN) is a jointly governed organization among thirty school districts 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 support NEOMIN based upon a per pupil charge. The District's annual user fee is \$23,124.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The District was not represented on the Governing Board during fiscal year 1999. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

**Note 15. Segments of Enterprise Activities**

Key financial data for the District's Enterprise Funds for the year ended June 30, 1999, are as follows:

	Lunchroom Fund	Uniform Supply Fund	Total
Operating Revenues	\$ 216,729	0	\$ 216,729
Operating Expenses:			
Depreciation	(1,134)	0	(1,134)
Other Expenses	(374,182)	0	(374,182)
Total Operating Expenses	(375,316)	0	(375,316)
Operating Loss	(158,587)	0	(158,587)
Non Operating Revenues and			
Loss on Disposal of Assets	(776)	0	(776)
Operating Grants	147,924	0	147,924

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

Net Loss	\$ (11,439)	0	\$ (11,439)
Net Working Capital	\$ (16,903)	150	\$ (16,753)
Total Assets	\$ 126,451	150	\$ 126,601
Total Retained Earnings	\$ 78,890	150	\$ 79,040
Total Fund Equity	\$ 5,490	150	\$ 5,640

**Note 16. Contingencies**

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

B. Litigation

The District is a defendant in a legal proceeding pertaining to student personnel matters which are incidental to performing routine governmental and other functions. Based on the status of this legal proceeding, it is the opinion of management that the ultimate resolution of such will not have a material effect on the District's financial statements.

**Note 17. Contractual Commitments**

At June 30, 1999 the District had construction in progress for the constructing and equipping a new high school building, renovating other school buildings, equipping and improving the site thereof. The remaining commitment on these construction contracts and projects is as follows:

Company/Project	Amount Remaining
Tribune	250
Squire, Sanders & Dempsey	500
Crown Monuments	1,541
Moving Exp.	23,400
Ricciuti & Balog	67,550
Hively	1,152,118
Antenucci	123,828
Samuels	182,978
Tri-Area	246,361



**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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Waller-Duman	515,932
Tech System	400,386
Stage/Curtain	69,904
Food Service	73,512
Miscellaneous Equipment	8,456
Security	39,735
Landscaping	35,638
	\$ 2,942,089

**Note 18. School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$3,310,337 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution.

The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of September 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**Liberty Local School District**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 1999**

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**Note 19. Statutory Reserves**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 1998	\$ 0	0	56,732	\$ 56,732
Current Year Set-Aside Requirement	122,620	122,620	61,310	306,550
Qualifying Disbursements	(122,620)	(122,620)	0	(245,240)
Total	<u>\$ 0</u>	<u>0</u>	<u>118,042</u>	<u>\$ 118,042</u>
Balance Carried Forward to FY2000	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>	

The General Fund - Equity in Pooled Cash and Investment account at June 30, 1999 was zero. The District did not have cash available to establish any of the total required budget stabilization reserve amount of \$118,042. A new 5.5 mill continuing operating levy was passed in November, 1999. The District established the required budget stabilization reserve account by transfer in September, 1999.

**Note 20. Subsequent Events**

The District passed a new 5.5 mill continuing operating levy in November, 1999.

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	-	10.550		\$32,894		\$29,910
National School Lunch Program	03-PU-98	10.555	6,101		6,101	
	03-PU-99		16,076		16,076	
	04-PU-98		25,164		25,164	
	04-PU-99		66,816		66,816	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>114,157</u>	<u>32,894</u>	<u>114,157</u>	<u>29,910</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-98	84.010	0		30,303	
	C1-S1-99		<u>178,743</u>		<u>154,087</u>	
Total Grants to Local Educational Agencies			178,743		184,390	
Special Education Grants to State	6B-SF-98	84.027	0		10,913	
	6B-SF-99		<u>55,148</u>		<u>48,272</u>	
Total Special Education Grants to State			55,148		59,185	
Title VI Innovative Education Program	C2-S1-97C	84.151	0		5,083	
	C2-S1-98C		1,434		820	
	C2-S1-99C		<u>1,434</u>		<u>1,429</u>	
Total Innovative Education Program			2,868		7,332	
Innovative Educational Program Strategies	C2-S1-99	84.298	6,945		119	
Total Department of Education			<u>243,704</u>		<u>251,026</u>	
<b>Totals</b>			<u><b>\$357,861</b></u>	<u><b>\$32,894</b></u>	<u><b>\$365,183</b></u>	<u><b>\$29,910</b></u>

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Board of Education  
Liberty Local School District  
Trumbull County  
4115 Shady Road  
Youngstown, Ohio 44503

We have audited the financial statements of Liberty Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated February 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Liberty Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings as item 1999-41178-001. We also noted certain immaterial instances of noncompliance that we have reported to management of Liberty Local School District in a separate letter dated February 21, 2000 .

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Liberty Local School District in a separate letter dated February 21, 2000.

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



Jim Petro  
Auditor of State

February 21, 2000



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

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

Board of Education  
Liberty Local School District  
Trumbull County  
4115 Shady Road  
Youngstown, Ohio 44503

**Compliance**

We have audited the compliance of Liberty Local School District, Trumbull County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

**Internal Control Over Compliance**

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



Liberty Local School District  
Trumbull County

Report on Compliance with Requirements Applicable to Each Major Federal Program  
and Internal Control over Compliance in Accordance with OMB Circular A-133

Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a circular stamp or seal.

Jim Petro  
Auditor of State

February 21, 2000

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

JUNE 30, 1999

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

**JUNE 30, 1999  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 1999-41178-001**

Section 5705.29(H), Ohio Revised Code, requires each school district to establish a reserve balance account to accumulate current available resources to stabilize the school district's budget against cyclical changes in revenues and expenses. It requires each school district to set aside one percent of monies from the general fund each year until the budget stabilization reserve is equal to five percent of the general fund revenue for the most recently concluded fiscal year. This Section provides that no appropriation shall be made from the reserve balance account without a schedule for replenishing the account and approval from the state superintendent of instruction.

The District did not have sufficient cash available at June 30, 1999 to meet the current year reserve set aside requirement for the budget stabilization account. A workers compensation rebate was used to establish the fiscal year 1998 amount of \$56,732. The District transferred monies from the reserve account during fiscal year 1999 without a schedule for replenishing the account or approval of the superintendent of public instruction as required.

It is recommended that the treasurer continue to obtain board approval prior to transferring monies of the district. The District should develop a schedule to establish the total required budget stabilization reserve of \$118,042. The District should establish policies to ensure future appropriation of the budget stabilization reserve is in compliance with Section 5705.29(H) of the Ohio Revised Code.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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.

By: Susan Babbitt  
Clerk of the Bureau

Date: MAR 14 2000