

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

*BASIC FINANCIAL STATEMENTS
(AUDITED)*

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2008*

TRACEY OBERMIYER, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Liberty Local School District
4115 Shady Road
Youngstown, Ohio 44505

We have reviewed the *Independent Auditor's Report* of the Liberty Local School District, Trumbull County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 1, 2009

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**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
Liberty Local School District
4115 Shady Road
Youngstown, Ohio 44505

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Local School District, Trumbull County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise Liberty Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Liberty Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Local School District, Trumbull County, Ohio, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the general fund and the emergency levy fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

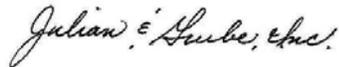
As disclosed in Note 3, the District has reported a prior period adjustment to properly report capital assets and net assets at June 30, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2009, on our consideration of Liberty Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Independent Auditor's Report
Liberty Local School District
Page Two

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
May 30, 2009

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The management's discussion and analysis of the Liberty Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets of governmental activities decreased \$737,731 which represents a 32.11% decrease from fiscal year 2007's restated net assets (see Note 3.B).
- General revenues accounted for \$15,469,133 in revenue or 82.46% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,289,305 or 17.54% of total revenues of \$18,758,438.
- The District had \$19,496,169 in expenses related to governmental activities; only \$3,289,305 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,469,133 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, emergency levy fund and debt service fund. The general fund had \$15,719,367 in revenues and other financing sources and \$16,048,714 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund deficit increased \$342,162 from a deficit of \$1,743,946 to a deficit of \$2,086,108.
- The District's emergency levy fund had \$3,321,388 in revenues and \$3,498,134 in other financing uses. During fiscal year 2008, the emergency levy fund's fund balance decreased \$176,746 from \$220,083 to \$43,337.
- The District's debt service fund had \$863,130 in revenues and \$853,213 in expenditures. During fiscal year 2008, the debt service fund's fund balance increased \$9,917 from \$281,944 to \$291,861.

Using the Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, emergency levy fund and debt service fund are the most significant funds, and the only governmental funds reported as major funds.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities, food service operations, and interest and fiscal charges.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, emergency levy fund and debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-20 of this report.

Proprietary Fund

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical self-insurance. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-54 of this report.

The District as a Whole

The table below provides a summary of the District's net assets at June 30, 2008 and June 30, 2007. The District's net assets have been restated at July 1, 2007, as detailed in Note 3.B. to the financial statements.

	Net Assets	
	Governmental Activities 2008	Restated Governmental Activities 2007
<u>Assets</u>		
Current and other assets	\$ 13,127,782	\$ 13,119,665
Capital assets, net	<u>12,071,239</u>	<u>12,647,826</u>
Total assets	<u>25,199,021</u>	<u>25,767,491</u>
<u>Liabilities</u>		
Current liabilities	13,318,507	12,850,862
Long-term liabilities	<u>10,320,501</u>	<u>10,618,885</u>
Total liabilities	<u>23,639,008</u>	<u>23,469,747</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4,686,323	4,662,909
Restricted	976,160	656,710
Unrestricted (deficit)	<u>(4,102,470)</u>	<u>(3,021,875)</u>
Total net assets	<u>\$ 1,560,013</u>	<u>\$ 2,297,744</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$1,560,013.

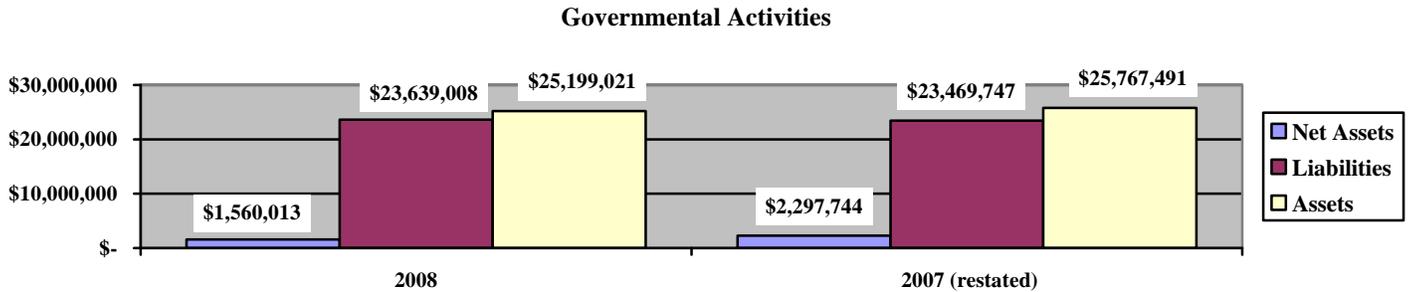
**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

At fiscal year-end, capital assets represented 47.90% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$4,686,323. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$976,160, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$4,102,470.

The graph below shows the District's assets, liabilities and net assets at June 30, 2008 and June 30, 2007. Certain 2007 balances have been restated due to a prior period adjustment described in Note 3.B. to the financial statements.



The table below shows the change in net assets for fiscal years 2008 and 2007. Certain 2007 balances have been restated due to a prior period adjustment described in Note 3.B. to the financial statements.

	Change in Net Assets	
	Governmental Activities 2008	Restated Governmental Activities 2007
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,256,602	\$ 1,046,051
Operating grants and contributions	2,020,449	1,632,272
Capital grants and contributions	12,254	24,422
General revenues:		
Property taxes	8,838,295	9,258,875
Grants and entitlements	6,386,883	6,110,319
Investment earnings	109,001	148,408
Other	134,954	158,999
Total revenues	<u>18,758,438</u>	<u>18,379,346</u>

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Change in Net Assets	
	Governmental	Restated
	Activities	Governmental
	2008	2007
<u>Expenses</u>		
Program revenues:		
Instruction:		
Regular	\$ 8,822,969	\$ 7,710,530
Special	1,285,765	1,703,394
Vocational	74,269	76,006
Adult	2,273	5,005
Other	50,626	43,797
Support services:		
Pupil	479,745	555,287
Instructional staff	576,373	509,891
Board of education	5,563	40,381
Administration	2,708,251	2,220,905
Fiscal	511,807	590,260
Business	19,408	57,442
Operations and maintenance	1,949,278	2,167,928
Pupil transportation	1,091,568	1,009,996
Central	61,350	46,137
Operations of non-instructional services:		
Other non-instructional services	46,273	41,537
Food service operations	802,164	805,564
Extracurricular activities	500,186	480,122
Interest and fiscal charges	508,301	509,443
Total expenses	<u>19,496,169</u>	<u>18,573,625</u>
Changes in net assets	(737,731)	(194,279)
Net assets at beginning of year (restated see Note 3.B.)	<u>2,297,744</u>	<u>2,492,023</u>
Net assets at end of year	<u>\$ 1,560,013</u>	<u>\$ 2,297,744</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$737,731. Total governmental expenses of \$19,496,169 were offset by program revenues of \$3,289,305 and general revenues of \$15,469,133. Program revenues supported 16.87% of the total governmental expenses.

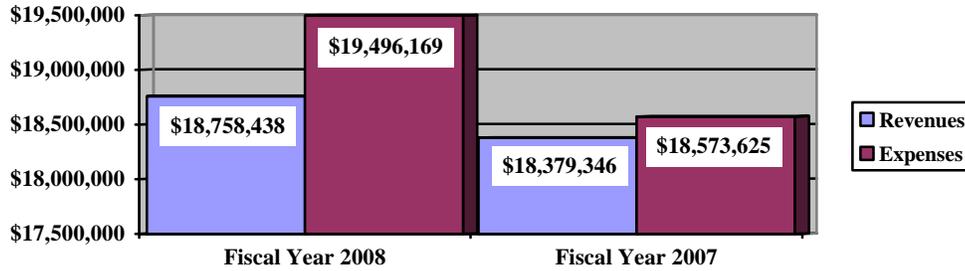
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 81.16% of total governmental revenue. Real estate property is reappraised every six years.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2008 and 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 8,822,969	\$ 7,775,463	\$ 7,710,530	\$ 7,043,071
Special	1,285,765	239,812	1,703,394	736,146
Vocational	74,269	61,780	76,006	62,413
Adult	2,273	(157)	5,005	3,220
Other	50,626	50,626	43,797	43,797
Support services:				
Pupil	479,745	467,501	555,287	523,812
Instructional staff	576,373	349,568	509,891	464,752
Board of education	5,563	5,563	40,381	40,381
Administration	2,708,251	2,636,590	2,220,905	2,127,108
Fiscal	511,807	502,864	590,260	589,954
Business	19,408	19,408	57,442	57,442
Operations and maintenance	1,949,278	1,949,278	2,167,928	2,167,901
Pupil transportation	1,091,568	1,072,467	1,009,996	997,436
Central	61,350	52,350	46,137	31,613
Operations of non-instructional services:				
Other non-instructional services	46,273	46,148	41,537	41,377
Food service operations	802,164	59,407	805,564	43,060
Extracurricular activities	500,186	409,895	480,122	387,954
Interest and fiscal charges	508,301	508,301	509,443	509,443
Total expenses	<u>\$ 19,496,169</u>	<u>\$ 16,206,864</u>	<u>\$ 18,573,625</u>	<u>\$ 15,870,880</u>

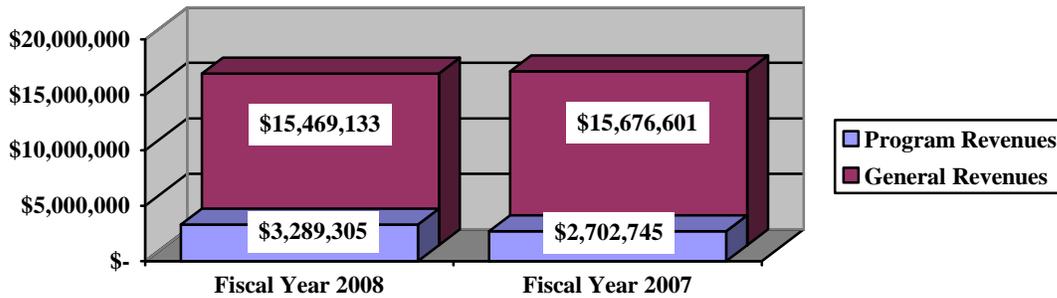
**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The dependence upon tax and other general revenues for governmental activities is apparent, 79.42% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.13%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund deficit of \$1,172,531, which is greater than last year's deficit of \$881,855. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and June 30, 2007.

	Fund Balance (Deficit) <u>June 30, 2008</u>	Fund Balance (Deficit) <u>June 30, 2007</u>	<u>Increase/(Decrease)</u>
General	\$ (2,086,108)	\$ (1,743,946)	\$ (342,162)
Emergency Levy	43,337	220,083	(176,746)
Debt Service	291,861	281,944	9,917
Other Governmental	<u>578,379</u>	<u>360,064</u>	<u>218,315</u>
Total	<u>\$ (1,172,531)</u>	<u>\$ (881,855)</u>	<u>\$ (290,676)</u>

General Fund

The District's general fund deficit increased \$342,162 from a deficit of \$1,743,946 to a deficit of \$2,086,108.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The table that follows assists in illustrating the financial activities and fund balance of the general fund for fiscal years 2008 and 2007.

	<u>2008</u> Amount	<u>2007</u> Amount	Increase/ (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 4,857,922	\$ 5,416,706	\$ (558,784)	(10.32) %
Tuition	796,376	529,489	266,887	50.40 %
Earnings on investments	109,001	148,408	(39,407)	(26.55) %
Intergovernmental	6,311,684	6,103,245	208,439	3.42 %
Other revenues	<u>146,250</u>	<u>174,745</u>	<u>(28,495)</u>	(16.31) %
Total	<u>\$ 12,221,233</u>	<u>\$ 12,372,593</u>	<u>\$ (151,360)</u>	(1.22) %
<u>Expenditures</u>				
Instruction	\$ 8,730,748	\$ 8,176,984	\$ 553,764	6.77 %
Support services	6,888,114	6,293,552	594,562	9.45 %
Operation of non-instructional services	46,123	38,973	7,150	18.35 %
Extracurricular activities	315,025	333,739	(18,714)	(5.61) %
Debt service	<u>44,596</u>	<u>59,539</u>	<u>(14,943)</u>	(25.10) %
Total	<u>\$ 16,024,606</u>	<u>\$ 14,902,787</u>	<u>\$ 1,121,819</u>	7.53 %

Overall revenues decreased \$151,360 or 1.22%. This decrease is primarily attributable to a decrease in tax revenue. Tax revenue decreased from HB 66, which phases out the tax on tangible personal property of general businesses. The District is reimbursed for this lost revenue from the State, which is the primary reason intergovernmental revenues increased 3.42% from the prior year. This reimbursement will be phased out in calendar years 2011-2017.

Overall expenditures increased \$1,121,819 or 7.53%. This increase is primarily attributable to increases in instruction expenditures and support services expenditures. Instruction expenditures increased \$553,764 or 6.77% and support services expenditures increased \$594,562 or 9.45%.

Emergency Levy Fund

The District's emergency levy fund balance decreased \$176,746 from \$220,083 to \$43,337. The decrease in fund balance can be primarily attributed to a transfer made during the fiscal year to the general fund in the amount of \$3,498,134.

Debt Service Fund

The District's debt service fund balance increased \$9,917 from \$281,944 to \$291,861. The increase in fund balance can be primarily attributed to an increase in the fund's tax revenue during fiscal year 2008.

General Fund Budgeting Highlights

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

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

For the general fund, final revenues and other financing sources were \$14,523,602. Actual revenues and other financing sources for fiscal year 2008 were \$15,351,113. This amount exceeded final budgeted revenues and other financing sources by \$827,511.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$14,686,768 were increased to \$16,070,029 for final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$15,983,899, which were \$86,130 less than final budgeted expenditures and other financing uses.

Capital Assets and Debt Administration

Capital Assets

During fiscal year 2008, the District restated capital assets at June 30, 2007 due to a reappraisal, see Note 3.B. for details. At the end of fiscal year 2008, the District had \$12,071,239 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. This entire amount is reported in governmental activities.

The following table shows June 30, 2008 balances compared to the balances at June 30, 2007.

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2008	Restated 2007
		\$
Land	349,160	349,160
Land improvements	468,140	526,802
Building and improvements	10,109,533	10,452,000
Furniture and equipment	849,691	946,053
Vehicles	183,246	217,753
Textbooks	111,469	156,058
Total	\$ 12,071,239	\$ 12,647,826

Total additions to capital assets for fiscal year 2008 were \$20,174 and depreciation expense was \$596,761. The overall decrease in capital assets is \$576,587, which was due to depreciation expense exceeding capital outlays during fiscal year 2008. See Note 8 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2008, the District had \$8,762,852 in general obligation bonds outstanding. Of this total, \$617,586 is due within one year and \$8,145,266 is due within greater than one year. The following table summarizes the general obligation bonds at June 30, 2008 and June 30, 2007.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Outstanding Debt, at Year End

	<u>2008</u>	<u>2007</u>
General obligation bonds	<u>\$8,762,852</u>	<u>\$9,136,387</u>
Total	<u>\$8,762,852</u>	<u>\$9,136,387</u>

At June 30, 2008, the District's overall legal debt margin was \$13,651,792 with an unvoted debt margin of \$230,498. The District maintains an A-1 bond rating.

Current Financial Related Activities

The District faces many challenges in the future. The District relies heavily on local property taxes. Declining enrollment and changes in ADM calculations for foundation formulas have produced a decrease in state funding. The scheduled decreases in personal and tangible taxes contribute to the critical need for additional new local funding. The District anticipates seeking new money in May of 2009.

Another challenge facing the District in the completion of the campus atmosphere started with the building of the new High School. Currently, all three District buildings rest on the same plot of land. In the future, athletic fields and transportation facilities need to be relocated on the campus to complete the project. The District also faces the challenge of upgrading current facilities such as middle school science labs and band rooms, general building repairs, and storage space. The current permanent improvement levy does not provide enough funding to meet these needs. The Board declared "urgent necessity" for demolition of the old high school with a portion to remain as District wide storage.

The last major challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

The District has anticipated a lower than normal increase in funding due to declining enrollment in future State revenue. The District lost more than 40 students from 2005 to 2006, and enrollment declined another 120 students from 2006 to 2007. The District's main challenge is how to stop this declining enrollment. With decreased State funding, cost cutting measures are inevitable unless other revenue sources become available (i.e. operating tax levy). To further add to the enrollment crisis, the District was subject to the Ed Choice voucher program in school year 2007-2008. The District lost 151 students and function in the amount of \$628,812. Funding losses through the life of the program are expected to total \$8,000,604 by 2021.

The District's system of budgeting and internal controls is well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 2,313,227
Investments	10,462
Receivables:	
Taxes	10,528,601
Accounts	9,174
Intergovernmental	145,718
Materials and supplies inventory	8,501
Unamortized bond issuance costs.	112,099
Capital assets:	
Land	349,160
Depreciable capital assets, net	11,722,079
Total capital assets, net	12,071,239
 Total assets	 25,199,021
 Liabilities:	
Accounts payable	247,908
Accrued wages and benefits.	1,637,022
Pension obligation payable.	331,355
Intergovernmental payable	306,789
Unearned revenue	9,351,728
Accrued interest payable	21,110
Claims payable	356,995
Notes payable	1,065,600
Long-term liabilities:	
Due within one year	804,035
Due in more than one year.	9,516,466
 Total liabilities	 23,639,008
 Net Assets:	
Invested in capital assets, net of related debt	4,686,323
Restricted for:	
Permanent fund - nonexpendable.	4,269
Debt service.	408,431
Capital projects	105,298
Locally funded programs	386
State funded programs	81,455
Federally funded programs	141,472
Other purposes	234,849
Unrestricted (deficit).	(4,102,470)
 Total net assets.	 \$ 1,560,013

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 8,822,969	\$ 812,172	\$ 235,334	\$ -	\$ (7,775,463)
Special	1,285,765	-	1,045,953	-	(239,812)
Vocational.	74,269	-	12,489	-	(61,780)
Adult.	2,273	-	2,430	-	157
Other.	50,626	-	-	-	(50,626)
Support services:					
Pupil	479,745	-	12,244	-	(467,501)
Instructional staff	576,373	-	226,805	-	(349,568)
Board of education.	5,563	-	-	-	(5,563)
Administration	2,708,251	67,091	4,570	-	(2,636,590)
Fiscal.	511,807	-	8,943	-	(502,864)
Business	19,408	-	-	-	(19,408)
Operations and maintenance.	1,949,278	-	-	-	(1,949,278)
Pupil transportation	1,091,568	-	6,847	12,254	(1,072,467)
Central.	61,350	-	9,000	-	(52,350)
Operation of non-instructional services:					
Other non-instructional services	46,273	-	125	-	(46,148)
Food service operations	802,164	287,078	455,679	-	(59,407)
Extracurricular activities	500,186	90,261	30	-	(409,895)
Interest and fiscal charges.	508,301	-	-	-	(508,301)
Totals.	\$ 19,496,169	\$ 1,256,602	\$ 2,020,449	\$ 12,254	(16,206,864)

General Revenues:

Property taxes levied for:	
General purposes	4,979,596
Special revenue	2,903,364
Debt service.	817,985
Capital projects	137,350
Grants and entitlements not restricted to specific programs.	6,386,883
Investment earnings	109,001
Miscellaneous	134,954
Total general revenues	15,469,133
Change in net assets.	(737,731)
Net assets at beginning of year (restated)	2,297,744
Net assets at end of year	\$ 1,560,013

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Emergency Levy</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 888,391	\$ -	\$ 281,668	\$ 875,044	\$ 2,045,103
Investments	10,462	-	-	-	10,462
Receivables:					
Taxes	6,187,855	2,892,292	1,296,699	151,755	10,528,601
Accounts	8,384	-	-	790	9,174
Intergovernmental	-	-	-	145,718	145,718
Advances to other funds	21,634	20,602	-	-	42,236
Materials and supplies inventory	947	-	-	7,554	8,501
Restricted assets:					
Equity in pooled cash and cash equivalents	234,849	-	-	-	234,849
Total assets	\$ 7,352,522	\$ 2,912,894	\$ 1,578,367	\$ 1,180,861	\$ 13,024,644
Liabilities:					
Accounts payable	\$ 156,170	\$ -	\$ -	\$ 91,738	\$ 247,908
Accrued wages and benefits	1,460,246	-	-	176,776	1,637,022
Compensated absences payable	51,968	-	-	-	51,968
Pension obligation payable	261,642	-	-	69,713	331,355
Intergovernmental payable	300,860	-	-	5,929	306,789
Advances from other funds	-	-	-	42,236	42,236
Deferred revenue	643,030	300,561	134,750	81,298	1,159,639
Accrued interest payable	2,930	-	-	-	2,930
Notes payable	1,065,600	-	-	-	1,065,600
Unearned revenue	5,496,184	2,568,996	1,151,756	134,792	9,351,728
Total liabilities	9,438,630	2,869,557	1,286,506	602,482	14,197,175
Fund Balances:					
Reserved for encumbrances	297,772	-	-	130,947	428,719
Reserved for materials and supplies inventory	947	-	-	7,554	8,501
Reserved for property tax unavailable for appropriation	48,641	22,735	10,193	1,193	82,762
Reserved for school bus purchase	20,018	-	-	-	20,018
Reserved for textbooks/instructional supplies	214,831	-	-	-	214,831
Reserved for debt service	-	-	281,668	-	281,668
Reserved for advances	21,634	20,602	-	-	42,236
Reserved for permanent fund	-	-	-	4,269	4,269
Unreserved, undesignated (deficit), reported in:					
General fund	(2,689,951)	-	-	-	(2,689,951)
Special revenue funds	-	-	-	356,081	356,081
Capital projects funds	-	-	-	78,335	78,335
Total fund balances (deficit)	(2,086,108)	43,337	291,861	578,379	(1,172,531)
Total liabilities and fund balances	\$ 7,352,522	\$ 2,912,894	\$ 1,578,367	\$ 1,180,861	\$ 13,024,644

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balance (deficit)		\$	(1,172,531)
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			12,071,239
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	1,094,111	
Intergovernmental receivable		<u>65,528</u>	
Total			1,159,639
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.			(323,720)
In the statement of activities interest is accrued on outstanding bonds and notes, whereas in governmental funds, interest expenditures are reported when due.			(18,180)
Unamortized bond issuance costs are not recognized in the funds governmental activities on the statement of net assets.			112,099
Unamortized premiums on bond issuances are not recognized in the funds.			(364,738)
Unamortized deferred charges on refundings are not recognized in the funds.			252,635
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		(8,762,852)	
Compensated absences payable		<u>(1,393,578)</u>	
Total			<u>(10,156,430)</u>
Net assets of governmental activities		\$	<u><u>1,560,013</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Emergency Levy</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 4,857,922	\$ 2,959,530	\$ 767,344	\$ 136,477	\$ 8,721,273
Tuition	796,376	-	-	-	796,376
Charges for services	-	-	-	287,078	287,078
Earnings on investments	109,001	-	-	-	109,001
Extracurricular	-	-	-	90,261	90,261
Classroom materials and fees	15,796	-	-	67,091	82,887
Other local revenues	130,454	-	-	6,530	136,984
Intergovernmental - state	6,311,684	361,858	95,786	297,290	7,066,618
Intergovernmental - federal	-	-	-	1,321,468	1,321,468
Total revenues	<u>12,221,233</u>	<u>3,321,388</u>	<u>863,130</u>	<u>2,206,195</u>	<u>18,611,946</u>
Expenditures:					
Current:					
Instruction:					
Regular	7,973,267	-	-	195,766	8,169,033
Special	633,665	-	-	593,366	1,227,031
Vocational	73,190	-	-	-	73,190
Adult	-	-	-	2,273	2,273
Other	50,626	-	-	-	50,626
Support services:					
Pupil	457,050	-	-	13,696	470,746
Instructional staff	380,869	-	-	172,374	553,243
Board of education	5,563	-	-	-	5,563
Administration	2,630,119	-	-	73,737	2,703,856
Fiscal	498,351	-	-	10,732	509,083
Business	19,408	-	-	-	19,408
Operations and maintenance	1,858,981	-	13,752	61,066	1,933,799
Pupil transportation	980,859	-	-	3,399	984,258
Central	56,914	-	-	4,436	61,350
Operation of non-instructional services:					
Other non-instructional services	46,123	-	-	150	46,273
Food service operations	-	-	-	750,525	750,525
Extracurricular activities	315,025	-	-	131,175	446,200
Debt service:					
Principal retirement	-	-	600,000	-	600,000
Interest and fiscal charges	44,596	-	239,461	-	284,057
Total expenditures	<u>16,024,606</u>	<u>-</u>	<u>853,213</u>	<u>2,012,695</u>	<u>18,890,514</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,803,373)</u>	<u>3,321,388</u>	<u>9,917</u>	<u>193,500</u>	<u>(278,568)</u>
Other financing sources (uses):					
Transfers in	3,498,134	-	-	24,108	3,522,242
Transfers out	<u>(24,108)</u>	<u>(3,498,134)</u>	<u>-</u>	<u>-</u>	<u>(3,522,242)</u>
Total other financing sources (uses)	<u>3,474,026</u>	<u>(3,498,134)</u>	<u>-</u>	<u>24,108</u>	<u>-</u>
Net change in fund balances	(329,347)	(176,746)	9,917	217,608	(278,568)
Fund balances (deficit) at beginning of year	(1,743,946)	220,083	281,944	360,064	(881,855)
Increase (decrease) in reserve for inventory	(12,815)	-	-	707	(12,108)
Fund balances (deficit) at end of year	<u>\$ (2,086,108)</u>	<u>\$ 43,337</u>	<u>\$ 291,861</u>	<u>\$ 578,379</u>	<u>\$ (1,172,531)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$	(278,568)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Capital outlay	\$ 20,174	
Current year depreciation	(596,761)	
Total		(576,587)
Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.		
		(12,108)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	117,022	
Intergovernmental revenues	29,470	
Total		146,492
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		600,000
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the following:		
Decrease in accrued interest payable	2,220	
Accreted interest on capital appreciation bonds	(226,465)	
Amortization of bond issuance costs	(9,028)	
Amortization of bond premiums	29,375	
Amortization of deferred charges on refundings	(20,346)	
Total		(224,244)
Some expenses reported in the statement of activities, such as compensated absences and early retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(58,972)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(333,744)
Change in net assets of governmental activities	\$	(737,731)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 4,191,511	\$ 4,191,511	\$ 4,432,988	\$ 241,477
Tuition.	753,775	753,775	796,376	42,601
Earnings on investments.	113,284	113,284	119,155	5,871
Classroom material & fees.	14,524	14,524	15,730	1,206
Other local revenues.	119,094	119,094	125,613	6,519
Intergovernmental - state	5,972,106	5,972,106	6,311,684	339,578
Total revenues.	<u>11,164,294</u>	<u>11,164,294</u>	<u>11,801,546</u>	<u>637,252</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,139,279	7,813,246	7,771,603	41,643
Special.	566,796	620,303	617,754	2,549
Vocational.	64,609	70,708	69,627	1,081
Support services:				
Pupil.	417,021	456,389	453,767	2,622
Instructional staff	337,728	369,611	367,553	2,058
Board of education.	7,342	8,035	7,424	611
Administration.	2,484,504	2,715,838	2,704,279	11,559
Fiscal.	533,023	583,342	579,679	3,663
Business	19,089	20,891	20,351	540
Operations and maintenance	1,769,402	1,936,438	1,925,611	10,827
Pupil transportation	905,992	991,521	985,514	6,007
Central	42,583	46,603	45,585	1,018
Operation of non-instructional services	39,646	43,389	43,155	234
Extracurricular activities.	289,271	316,579	315,436	1,143
Total expenditures	<u>14,616,285</u>	<u>15,992,893</u>	<u>15,907,338</u>	<u>85,555</u>
Excess of expenditures over revenues.	<u>(3,451,991)</u>	<u>(4,828,599)</u>	<u>(4,105,792)</u>	<u>722,807</u>
Other financing sources (uses):				
Refund of prior year expenditure	49,380	49,379	51,433	2,054
Transfers in	3,309,929	3,309,929	3,498,134	188,205
Transfers out	(22,026)	(24,105)	(24,108)	(3)
Other miscellaneous (use) of funds	(48,457)	(53,031)	(52,453)	578
Total other financing sources (uses).	<u>3,288,826</u>	<u>3,282,172</u>	<u>3,473,006</u>	<u>190,834</u>
Net change in fund balance.	(163,165)	(1,546,427)	(632,786)	913,641
Fund balance at beginning of year	1,114,040	1,114,040	1,114,040	-
Prior year encumbrances appropriated.	222,712	222,712	222,712	-
Fund balance (deficit) at end of year	<u>\$ 1,173,587</u>	<u>\$ (209,675)</u>	<u>\$ 703,966</u>	<u>\$ 913,641</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
EMERGENCY LEVY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 3,165,721	\$ 2,953,589	\$ 2,953,589	\$ -
Intergovernmental - state	387,847	361,858	361,858	-
Total revenues	<u>3,553,568</u>	<u>3,315,447</u>	<u>3,315,447</u>	<u>-</u>
Excess of revenues over expenditures	<u>3,553,568</u>	<u>3,315,447</u>	<u>3,315,447</u>	<u>-</u>
Other financing sources (uses):				
Transfers out	(3,498,134)	(3,498,134)	(3,498,134)	-
Advances in	3,680	3,433	3,433	-
Total other financing sources (uses)	<u>(3,494,454)</u>	<u>(3,494,701)</u>	<u>(3,494,701)</u>	<u>-</u>
Net change in fund balance	59,114	(179,254)	(179,254)	-
Fund balance at beginning of year	<u>179,254</u>	<u>179,254</u>	<u>179,254</u>	<u>-</u>
Fund balance at end of year	<u>\$ 238,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	\$ 33,275
Total assets	<u>33,275</u>
Liabilities:	
Claims payable	<u>356,995</u>
Total liabilities	<u>356,995</u>
Net assets:	
Unrestricted (deficit)	<u>(323,720)</u>
Total net assets (deficit)	<u><u>\$ (323,720)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 2,077,483
Total operating revenues	<u>2,077,483</u>
 Operating expenses:	
Claims expense	2,411,227
Total operating expenses	<u>2,411,227</u>
 Change in net assets.	(333,744)
 Net assets at beginning of year.	 <u>10,024</u>
 Net assets (deficit) at end of year	 <u><u>\$ (323,720)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash received from charges for services	\$ 2,077,483
Cash payments for claims and administrative services	<u>(2,397,820)</u>
Net cash used by operating activities	<u>(320,337)</u>
Cash and cash equivalents at beginning of year	<u>353,612</u>
Cash and cash equivalents at end of year.	<u><u>\$ 33,275</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (333,744)
Changes in assets and liabilities:	
Increase in claims payable	<u>13,407</u>
Net cash used by operating activities	<u><u>\$ (320,337)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 51,276
Total assets	\$ 51,276
Liabilities:	
Accounts payable.	\$ 1,201
Intergovernmental payable	573
Due to students.	49,502
Total liabilities	\$ 51,276

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Liberty Local School (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 school district as defined by 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. The District is located in Northeast Ohio, in Trumbull County, in the greater metropolitan Youngstown area.

The District is organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District is the 353rd largest by enrollment among the 896 public school districts in the State. It currently operates one elementary school and one comprehensive middle/high school. The District is staffed by 64 non-certified and 122 certified personnel to provide services to approximately 1,535 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access to organization's resources; the (3) District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATION

Northeast Ohio Management Information Network (NEOMIN)

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 the administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge.

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 school districts, and a treasurer from each county who must be employed by a participating school district, the fiscal agent or NEOMIN. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following are the District's major governmental funds:

General Fund - The general 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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

Emergency Levy Fund - The emergency levy fund is used to account for the proceeds from a special levy and is necessary to satisfy the District's emergency needs or to prevent school closings.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bonds and notes principal and interest from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for grants and other resources whose use is restricted to a particular purpose and (c) fund food service operations.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical benefits to employees.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue on the fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as deferred revenue.

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

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund type level. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with Trumbull County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final amended certificate issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the fund type level. Any revisions that alter the fund type level must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund type do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. 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" and "investments" on the basic financial statements.

During fiscal year 2008, investments were limited to common stock and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2008. 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 shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$109,001, which includes \$57,079 assigned from other District funds.

For presentation on the basic financial statements, 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.

An analysis of the District's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when received. Inventories are accounted for using the purchase method on the fund statements and using the consumption method on the government-wide statements.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years
Textbooks	10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as "advances to/from other funds." These amounts are eliminated in government activities column on the statement of net assets.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

J. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are defined and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9 A.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

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

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

M. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, debt service, property taxes unavailable for appropriation, school bus purchases, textbooks/instructional supplies, permanent fund and advances. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

N. Operating Revenues and Expenses

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

O. Net Assets

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

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

P. Estimates

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

Q. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount received for school bus purchases and textbook/instructional supplies. See Note 17 for details.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

R. Interfund Activity

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 14) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Restatement of Net Assets

The District's net assets have been restated to reflect a reappraisal of the District's capital assets. The reappraisal of the District's capital assets had the following effect on net assets as previously reported by the governmental activities:

	Governmental Activities
Net assets, June 30, 2007	\$ 910,021
Adjustment for capital assets reappraisal	1,387,723
Restated net assets, June 30, 2007	\$ 2,297,744

See Note 8 for the effect of the change on capital assets balances as previously reported by the District at June 30, 2007.

C. Deficit Fund Balances/Net Assets

Fund balances/net assets at June 30, 2008 included the following individual fund deficits:

	Deficit
<u>Major Governmental Fund</u>	
General fund	\$ 2,086,108
<u>Nonmajor Governmental Funds</u>	
District managed school activities	1,181
Summer intervention	29,829
Title I	17,402
Title II-A	4,080
<u>Internal Service Fund</u>	
Self-insurance	323,720

These funds complied with Ohio State law, which does not permit a cash basis deficit at fiscal year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

D. Compliance

- i.* Contrary to Ohio Revised Code Section 5705.10, the District had negative cash balances at November 30, 2007.
- ii.* The District had appropriations exceeding estimated resources in noncompliance with Ohio Revised Code Sections 5705.39 and 5705.36.
- iii.* The District appropriated at the fund type level which is higher than allowed by Ohio Administrative Code 117-6-02.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

- iv.* The District did not obtain the services of an actuary to certify that amounts stated in noncompliance with Ohio Revised Code Section 9.833.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies 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. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 and 2, above, 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);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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 monies deposited with the institution.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year-end, the District had \$250 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$1,990,567. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$1,926,395 of the District's bank balance of \$2,026,395 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Common stock	\$ 10,462	\$ 10,462
STAR Ohio	<u>373,686</u>	<u>373,686</u>
Total	<u>\$ 384,148</u>	<u>\$ 384,148</u>

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

* Common stock is not an allowable investment under current Ohio Statute, however this stock was bequeathed to the District. No public funds were used to acquire it.

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Common stock	\$ 10,462	2.72%
STAR Ohio	<u>373,686</u>	<u>97.28%</u>
Total	<u>\$ 384,148</u>	<u>100.00%</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>		
Carrying amount of deposits		\$ 1,990,567
Investments		384,148
Cash on hand		<u>250</u>
Total		<u>\$ 2,374,965</u>
 <u>Cash and investments per statement of net assets</u>		
Governmental activities		\$ 2,323,689
Agency fund		<u>51,276</u>
Total		<u>\$ 2,374,965</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Advances to/from other funds consisted of the following at June 30, 2008, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 21,634
Emergency levy fund	Nonmajor governmental funds	20,602

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances were interfund loans which were not repaid in the current fiscal year and are not expected to be repaid in the subsequent fiscal year.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Advances to/from other governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers from emergency levy fund to:	
General fund	\$ 3,498,134
Transfers from general fund to:	
Nonmajor governmental funds	<u>24,108</u>
Total	<u>\$ 3,522,242</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the emergency levy fund to the general fund is intended to provide resources to make insurance payments during fiscal year 2008.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. 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 due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2008 was \$48,641 in the general fund, \$22,735 in the emergency levy fund, \$10,193 in the debt service fund and \$1,193 in the permanent improvement capital projects fund (a nonmajor governmental fund). These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$24,545 in the general fund, \$16,794 in the emergency levy fund, \$3,960 in the debt service fund and \$701 in the permanent improvement capital projects fund (a nonmajor governmental fund).

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 222,951,960	93.50	\$ 226,103,580	96.89
Public utility personal	7,378,460	3.10	4,590,060	1.97
Tangible personal property	<u>8,110,732</u>	<u>3.40</u>	<u>2,663,059</u>	<u>1.14</u>
Total	<u>\$ 238,441,152</u>	<u>100.00</u>	<u>\$ 233,356,699</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$55.60		\$53.30	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 10,528,601
Accounts	9,174
Intergovernmental	<u>145,718</u>
Total	<u>\$ 10,683,493</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS

Capital assets of the governmental activities have been restated due to a reappraisal of the District's capital assets. The effect of the reappraisal on governmental activities capital assets and fiscal year 2008 capital asset activity is as follows:

	Balance 06/30/07	Adjustments	Restated Balance 06/30/07	Additions	Deductions	Balance 06/30/08
Governmental activities:						
<i>Capital assets, not being depreciated:</i>						
Land	\$ 349,160	\$ -	\$ 349,160	\$ -	\$ -	\$ 349,160
Total capital assets, not being depreciated	<u>349,160</u>	<u>-</u>	<u>349,160</u>	<u>-</u>	<u>-</u>	<u>349,160</u>
<i>Capital assets, being depreciated:</i>						
Land improvements	1,985,322	(657,278)	1,328,044	-	-	1,328,044
Building and improvements	19,122,781	(2,544,363)	16,578,418	-	-	16,578,418
Furniture and equipment	766,839	1,044,264	1,811,103	-	-	1,811,103
Vehicles	1,262,892	(206,229)	1,056,663	20,174	-	1,076,837
Textbooks	-	911,660	911,660	-	-	911,660
Total capital assets, being depreciated	<u>23,137,834</u>	<u>(1,451,946)</u>	<u>21,685,888</u>	<u>20,174</u>	<u>-</u>	<u>21,706,062</u>
<i>Less: accumulated depreciation</i>						
Land improvements	(1,383,243)	582,001	(801,242)	(58,662)	-	(859,904)
Building and improvements	(9,113,055)	2,986,637	(6,126,418)	(342,467)	-	(6,468,885)
Furniture and equipment	(562,246)	(302,804)	(865,050)	(96,362)	-	(961,412)
Vehicles	(1,168,347)	329,437	(838,910)	(54,681)	-	(893,591)
Textbooks	-	(755,602)	(755,602)	(44,589)	-	(800,191)
Total accumulated depreciation	<u>(12,226,891)</u>	<u>2,839,669</u>	<u>(9,387,222)</u>	<u>(596,761)</u>	<u>-</u>	<u>(9,983,983)</u>
Governmental activities capital assets, net	<u>\$ 11,260,103</u>	<u>\$ 1,387,723</u>	<u>\$ 12,647,826</u>	<u>\$ (576,587)</u>	<u>\$ -</u>	<u>\$ 12,071,239</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 425,685
<u>Support services:</u>	
Operations and maintenance	28,200
Pupil transportation	53,420
Food service operations	35,470
Extracurricular activities	<u>53,986</u>
Total depreciation expense	<u>\$ 596,761</u>

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	Balance at 06/30/07	Additions	Reductions	Balance at 06/30/08	Amounts Due in One Year
General obligation bonds	\$ 9,136,387	\$ 226,465	\$ (600,000)	\$ 8,762,852	\$ 617,586
Early retirement incentive	30,000	-	(30,000)	-	-
Compensated absences	1,331,366	270,873	(156,693)	1,445,546	186,449
Total	\$ 10,497,753	\$ 497,338	\$ (786,693)	10,208,398	\$ 804,035
Less: Unamortized deferred charge on refunding				(252,635)	
Add: Unamortized premium on refunding				364,738	
Total on statement of net assets				\$ 10,320,501	

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid which, for the District, is primarily the general fund.

- B. On November 20, 1997, the District issued general obligation bonds to provide funds for the construction of a new high school. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 3.60 mil bonded debt tax levy.

This issue is comprised of both current interest bonds, par value \$9,930,000 and capital appreciation bonds, par value \$2,935,000. The interest rates on the current interest bonds range from 4.05% to 5.25%. The capital appreciation bonds mature on December 1, 2008 (effective interest 6.522%), December 1, 2009 (effective interest 6.576%), December 1, 2010 (effective interest 6.630%), December 1, 2011 (effective interest 6.632%) and December 1, 2012 (effective interest 6.736%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2008 was \$1,269,918. Total accreted interest of \$1,231,423 has been included in the statement of activities.

During fiscal year 2008, the District made the required \$525,000 principal payment on the current interest bonds. None of the current interest or capital appreciation bonds were refunded.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2008 on the 1997 series general obligation bonds:

	Balance Outstanding			Balance Outstanding		Amounts Due in
	<u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/08</u>	<u>One Year</u>	
General obligation bonds - series 1997:						
Current interest bonds	\$ 525,000	\$ -	\$ (525,000)	\$ -	\$ -	-
Capital appreciation bonds	1,269,918	-	-	1,269,918	278,018	-
Accreted interest	<u>1,076,227</u>	<u>155,196</u>	<u>-</u>	<u>1,231,423</u>	<u>264,568</u>	-
Total G.O. bonds - series 1997	<u>\$ 2,871,145</u>	<u>\$ 155,196</u>	<u>\$ (525,000)</u>	<u>\$ 2,501,341</u>	<u>\$ 542,586</u>	-

The following is a summary of the future debt service requirements to maturity for the 1997 series general obligation bonds:

Fiscal Year <u>Ending June 30,</u>	<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 278,018	\$ 281,982	\$ 560,000
2010	266,352	308,648	575,000
2011	252,591	332,409	585,000
2012	242,898	357,102	600,000
2013	<u>230,059</u>	<u>384,941</u>	<u>615,000</u>
Total	<u>\$ 1,269,918</u>	<u>\$ 1,665,082</u>	<u>\$ 2,935,000</u>

- C. On March 30, 2006, the District issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund the callable portion of the Series 1997 Current Interest General Obligation Bonds (callable principal \$6,335,000). The issuance proceeds of \$6,633,414 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$5,690,000 and capital appreciation bonds, par value \$1,530,000. The capital appreciation bonds mature December 1, 2014 and December 1, 2015 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2008 was \$644,994. Total accreted interest of \$146,517 has been included in the statement of activities.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2008 on the 2006 series refunding bonds:

	Balance Outstanding <u>06/30/07</u>	Additions	Reductions	Balance Outstanding <u>06/30/08</u>	Amounts Due in <u>One Year</u>
Refunding bonds - series 2006:					
Current interest bonds	\$ 5,545,000	\$ -	\$ (75,000)	\$ 5,470,000	\$ 75,000
Capital appreciation bonds	644,994	-	-	644,994	-
Accreted interest	<u>75,248</u>	<u>71,269</u>	<u>-</u>	<u>146,517</u>	<u>-</u>
Total refunding bonds - series 2006	<u>\$ 6,265,242</u>	<u>\$ 71,269</u>	<u>\$ (75,000)</u>	<u>\$ 6,261,511</u>	<u>\$ 75,000</u>

The reacquisition price exceeded the net carrying amount of the old debt by \$298,414. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The following is a summary of the future debt service requirements to maturity for the 2007 series refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 75,000	\$ 225,679	\$ 300,679	\$ -	\$ -	\$ -
2010	80,000	223,054	303,054	-	-	-
2011	80,000	220,254	300,254	-	-	-
2012	85,000	217,354	302,354	-	-	-
2013	90,000	214,273	304,273	-	-	-
2014-2018	2,355,000	879,686	3,234,686	644,994	885,006	1,530,000
2019-2021	<u>2,705,000</u>	<u>219,575</u>	<u>2,924,575</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,470,000</u>	<u>\$ 2,199,875</u>	<u>\$ 7,669,875</u>	<u>\$ 644,994</u>	<u>\$ 885,006</u>	<u>\$ 1,530,000</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$13,651,792 (including available funds of \$291,861) and an unvoted debt margin of \$230,498.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - NOTES PAYABLE

The District issued tax anticipation notes on June 16, 2005. The notes were issued in anticipation of future tax revenue and the proceeds are used for general operations of the District. As such, the tax anticipation notes are reported as a liability of the general fund, the fund which received the proceeds.

The tax anticipation notes mature on December 10, 2010 and bear an interest rate of 3.47%. These notes are backed by the full faith and credit of the District. During fiscal year 2008, the District made \$355,200 in principal and \$43,139 in interest payments out of the general fund. Future debt service requirements to retire the tax anticipation notes outstanding at June 30, 2008, are as follows:

<u>Fiscal Year Ending June 30,</u>	Tax Anticipation Notes		
	Principal	Interest	Total
2009	\$ 355,200	\$ 30,814	\$ 386,014
2010	355,200	18,488	373,688
2011	355,200	6,163	361,363
Total	\$ 1,065,600	\$ 55,465	\$ 1,121,065

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance in the amount of \$50,000 to certified and classified employees.

C. Early Retirement Incentive

In a previous fiscal year, the District offered an early retirement incentive (ERI) of \$15,000 for certified employees and \$7,500 for classified employees. The ERI was limited to the first eight certified employees and first two classified employees who stated their intention to retire in writing to the District no later than April 1, 2007 and retired no later than August 31, 2007. Three certified employees and two classified employees accepted this offer. The ERI was paid in two equal installments on or before January 15, 2007 and January 15, 2008.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

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

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 \$40,733,745.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2007.

B. Health Self Insurance

The District has elected to provide employee medical/surgical benefits through a self-insured program. The District maintains a self-insurance internal service fund to account for and finance its uninsured risk of loss of this program. A third-party administrator, Professional Benefits Administrators, Inc. located in Akron, Ohio, reviews and pays all claims. The District pays into the self-insurance Internal Service fund a premium that is paid by the fund that pays the salary for the employee and is based on historical cost information.

The claims liability of \$356,995 reported in the internal service fund at June 30, 2008 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in the fund's claims liability for fiscal year 2008 are as follows:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2008	\$ 343,588	\$ 2,411,227	\$(2,397,820)	\$ 356,995
2007	290,092	2,538,889	(2,485,393)	343,588

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

All funds of the District participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services).

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - RISK MANAGEMENT - (Continued)

C. OSBA Group Workers' Compensation Group Rating Plan

For fiscal year 2008, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan 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 Plan.

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 Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$184,053, \$190,249 and \$173,330, respectively; 46.00 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 13 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$883,542, \$830,494 and \$849,851, respectively; 84.63 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$6,121 made by the District and \$14,604 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$124,971, \$101,270 and \$97,818, respectively; 46.00 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$13,261, \$12,937 and \$13,796, respectively; 46.00 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$67,965, \$63,884 and \$65,373, respectively; 84.63 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and major special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and the emergency levy fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>	<u>Emergency levy</u>
Budget basis	\$ (632,786)	\$ (179,254)
Net adjustment for revenue accruals	419,687	5,941
Net adjustment for expenditure accruals	(539,291)	-
Net adjustment for other sources/uses	1,020	(3,433)
Adjustment for encumbrances	<u>422,023</u>	<u>-</u>
GAAP basis	<u>\$ (329,347)</u>	<u>\$ (176,746)</u>

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 17 - STATUTORY RESERVES

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

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

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2007	\$ 203,255	\$ -
Current year set-aside requirement	271,995	271,995
Current year offsets	-	(135,985)
Qualifying disbursements	<u>(260,419)</u>	<u>(383,279)</u>
Total	<u>\$ 214,831</u>	<u>\$ (247,269)</u>
Balance carried forward to FY 2009	<u>\$ 214,831</u>	<u>\$ -</u>

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 17 - STATUTORY RESERVES - (Continued)

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years.

In addition to the above statutory reserves, the District has \$20,018 in cash restricted for school bus purchases.

A schedule of the governmental fund restricted assets at June 30, 2008 follows:

Restricted for school bus purchases	\$ 20,018
Restricted for textbooks/instructional supplies	<u>214,831</u>
Total restricted assets	<u>\$ 234,849</u>

SUPPLEMENTARY DATA

LIBERTY LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(C) Food Donation	10.550	2008	\$ 34,362	\$ 34,362
Total Food Donation			<u>34,362</u>	<u>34,362</u>
<i>Nutrition Cluster:</i>				
(D) (E) School Breakfast Program	10.553	2007	16,967	16,967
(D) (E) School Breakfast Program	10.553	2008	90,160	90,160
Total School Breakfast Program			<u>107,127</u>	<u>107,127</u>
(D) (E) National School Lunch Program	10.555	2007	60,367	60,367
(D) (E) National School Lunch Program	10.555	2008	248,423	248,423
Total National School Lunch Program			<u>308,790</u>	<u>308,790</u>
Total Nutrition Cluster			<u>415,917</u>	<u>415,917</u>
(D) Fresh Fruit and Vegetable Program	10.582	2008	15,431	15,431
Total Fresh Fruit and Vegetable Program			<u>15,431</u>	<u>15,431</u>
Total U.S. Department of Agriculture			<u>465,710</u>	<u>465,710</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2007	14,691	31,989
Title I Grants to Local Educational Agencies	84.010	2008	276,822	224,599
Total Title I Grants to Local Educational Agencies			<u>291,513</u>	<u>256,588</u>
Special Education_Grants to States	84.027	2006	-	48,388
Special Education_Grants to States	84.027	2007	17,504	-
Special Education_Grants to States	84.027	2008	503,033	373,031
Total Special Education_Grants to States			<u>520,537</u>	<u>421,419</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2007	752	-
Safe and Drug-Free Schools and Communities_State Grants	84.186	2008	7,191	-
Total Safe and Drug-Free Schools and Communities_State Grants			<u>7,943</u>	<u>-</u>
State Grants for Innovative Programs	84.298	2007	2,553	2,130
State Grants for Innovative Programs	84.298	2008	4,316	4,247
Total State Grants for Innovative Programs			<u>6,869</u>	<u>6,377</u>
Education Technology State Grants	84.318	2007	559	836
Education Technology State Grants	84.318	2008	3,072	2,121
Total Education Technology State Grants			<u>3,631</u>	<u>2,957</u>
(F) School Conflict Management	84.305F	2007	-	187
(F) School Conflict Management	84.305F	2008	1,000	1,000
Total School Conflict Management			<u>1,000</u>	<u>1,187</u>
Improving Teacher Quality State Grants	84.367	2007	-	2,076
Improving Teacher Quality State Grants	84.367	2008	44,101	43,646
Total Improving Teach Quality State Grants			<u>44,101</u>	<u>45,722</u>
Total U.S. Department of Education			<u>875,594</u>	<u>734,250</u>
Total Federal Financial Assistance			<u>\$ 1,341,304</u>	<u>\$ 1,199,960</u>

- (A) OAKS did not assign pass-through numbers for fiscal 2008.
(B) This schedule was prepared on the cash basis of accounting.
(C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement values.
(D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
(E) Included as a part of "Nutrition Grant Cluster" in determining major programs.
(F) Passed through the Commission on Dispute Resolution & Conflict Management



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

Board of Education
Liberty Local School District
4115 Shady Road
Youngstown, Ohio 44505

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Local School District, Trumbull County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Liberty Local School District's basic financial statements and have issued our report thereon dated May 30, 2009. As disclosed in Note 3, the District has reported a prior period adjustment to properly report capital assets and net assets at June 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Liberty Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Liberty Local School District's financial statements that is more than inconsequential will not be prevented or detected by Liberty Local School District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2008-LLSD-001 and 2008-LLSD-002 to be significant deficiencies in internal control over financial reporting.

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

Board of Education
Liberty Local School District

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that of the significant deficiencies described above, 2008-LLSD-001 is a material weakness.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed five instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedules of findings and responses as items 2008-LLSD-003, 2008-LLSD-004, 2008-LLSD-005, 2008-LLSD-006 and 2008-LLSD-007.

We noted certain other matters that we reported to the management of Liberty Local School District in a separate letter dated May 30, 2009.

Liberty Local School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Liberty Local School District's responses, and accordingly, we express no opinion on them.

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



Julian & Grube, Inc.
May 30, 2009



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

Board of Education
Liberty Local School District
4115 Shady Road
Youngstown, Ohio 44505

Compliance

We have audited the compliance of Liberty Local School District, Trumbull County, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. Liberty Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of Liberty Local School District's management. Our responsibility is to express an opinion on Liberty Local School District's compliance based on our audit.

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

In our opinion, Liberty Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

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

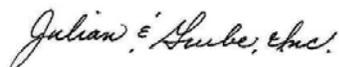
Board of Education
Liberty Local School District

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

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

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

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



Julian & Grube, Inc.
May 30, 2009

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

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

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2008-LLSD-001

Significant Deficiency/Material Weakness

The District had a prior period adjustment to restate its capital assets and net assets at July 1, 2007. In addition, there were two audit adjustments necessary to properly record fiscal 2008 activity.

The District had an appraisal completed in fiscal 2008 which facilitated the prior period restatement.

Obtaining this appraisal every five years has undervalued the District's capital assets.

Fiscal 2008 Audit Adjustments

1. Decrease General Fund tax receipts and decrease General Fund fiscal charges in the amount of \$401,420 due to debt tax proceeds being recorded twice.
2. Decrease charges for services (\$7,212), decrease intergovernmental state receipts (\$97,422), increase intergovernmental federal receipts \$104,634 in the Food Service (other governmental) fund to properly state federal funds received.

We recommend the District take a more active and timely role in valuating their capital assets. This will help ensure they maintain custody of assets and properly present them on their annual financial statements.

We recommend the District closely examine its tax settlement statements from the County Auditor and obtain confirmation of amounts received from them and amounts charged for fiscal fees and review that the Districts records agree.

We further recommend the District more closely record its grant receipts in accordance with its CCIP.

Clients Response: The District will implement internal controls to annually and accurately update its capital assets. The District will review its financial statements more closely prior to presenting to the auditor.

Finding Number	2008-LLSD-002
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Significant Deficiency

The District lacks controls over timely and accurate financial reports. The District consults with a firm to assist in compiling its annual GAAP financial statements; however, the final documentation to complete that process was not facilitated until March 2009 and resolution regarding a 2002 audit adjustment was not resolved until 2008 which is beyond the deadline for filing the financial report with the Auditor of State's Office and beyond the required deadline for the Federal Clearinghouse. The Auditor of State's Office did obtain an extension of time to file with the Federal Clearinghouse on behalf of the District.

While there were delays in both filing the annual GAAP report and completing the annual audit due to numerous circumstances, timely financial reports is essential to the operation of the District to help ensure complete and accurate data is being provided to the District's citizens.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2008-LLSD-002 - (Continued)

We recommend the District management take a more active role in overseeing the financial reporting process. We further recommend that they evaluate steps necessary to ensure financial reports are issued in a timely manner. This will help ensure that reports are submitted as required.

Client Response: The Treasurer is aware of the requirements and the delay was due primarily to obtaining supporting documentation for a 2002 proposed audit adjustment that was not unresolved until 2008.

Finding Number	2008-LLSD-003
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Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Throughout the fiscal year the District had appropriations exceeding estimated resources. Thus, the District did not request enough amended certificates throughout the fiscal year upon notice of increased or decreased resources in order to equal or exceed appropriations.

The District is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources.

We recommend that the District review its available resources versus its appropriations throughout the fiscal year and file amended certificates when necessary. This will facilitate the District's appropriation process.

Client response: The Treasurer will attempt to monitor estimated resources throughout the fiscal year and request amendments as necessary.

Finding Number	2008-LLSD-004
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Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed the total estimated resources.

The District had total appropriations exceeding the total estimated resources at June 30, 2008 as follows.

<u>June 30, 2008</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
<u>Fund Type:</u>			
General	\$ 16,070,029	\$ 15,860,354	\$ 209,675
Debt Service	1,254,050	1,169,905	84,145

Disclosure is presented at the fund type level which is the level at which the Board approved appropriations.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2008-LLSD-004 - (Continued)

With appropriations exceeding estimated resources, the District may spend more funds than in the Treasury or process of collection and cause fund deficits.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget throughout the fiscal year and year end. If it is determined that estimated revenues will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a continual basis.

Client response: The Treasurer will attempt to monitor estimated resources and appropriations throughout the fiscal year and request amendments as necessary.

Finding Number	2008-LLSD-005
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Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover the expenditures.

At November 30, 2007, the District maintained a negative cash fund balance in the following funds:

<u>Nonmajor Funds:</u>	<u>Cash Balance</u>
Employee Benefits Self-Insurance	\$ (146,461)
District Managed Activity	(3,985)
SchoolNet Professional Development	(209)
Title VI-B	(40,009)
Title I	(80,200)
Improving Teacher Quality	(23,568)

By having a negative fund balance, these funds have spent other funds' balances. This could indicate insufficient monitoring of appropriations and related expenditures and review of cash management. No fund should have a negative cash fund balance throughout the year or at year end. House Bill 276 became effective March 30, 2007 allowing negative cash fund balances in special funds if two criteria are met (1) the district has a request for payment pending with the state sufficient to cover the amount of the deficit and there is a reasonable likelihood that the payment will be made and (2) the unspent and unencumbered balance in the district's general fund is greater than the aggregate of deficit amounts in all of the district's special funds.

We recommend that the District properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the District should advance or transfer funds from the General Fund with proper Board approval. We recommend the District utilize its accounting software program to its fullest and continually review relevant reports to assist in preventing negative fund balances.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2008-LLSD-005 - (Continued)

Client Response: The Treasurer will attempt to monitor cash balances throughout the fiscal year and request advances or transfers as necessary.

Finding Number	2008-LLSD-006
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Ohio Administrative Code 117-6-02 prescribes the following for school districts' legal level of control: At a minimum, appropriation measures shall be classified to set forth separately the amounts appropriated by fund. The appropriation measure as passed by the school board shall be the legal level of control. This is the level at which noncompliance with statutory budgetary requirements will be determined.

The permanent appropriations were passed by the Board of Education at the higher fund-type level instead of the fund level.

By not evidencing appropriations at the fund level in the Board minutes, the District does not display to its citizens a sufficient level of its' budgetary process. This may result in appropriating monies in excess of estimated resources and having expenditures exceed appropriations, and possibly, fund deficits.

We recommend that the District comply with the Ohio Administrative Code by passing appropriation measures at the fund level and evidencing such in the Board minutes. This will provide the District with more control over its expenditures.

Client Response: The District will correct this for fiscal 2009.

Finding Number	2008-LLSD-007
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Ohio Revised Code Section 9.833 requires, in part, that self-insured governments calculate health care benefits liabilities and to obtain the services of an actuary to certify that these reserved amounts are fairly stated in accordance with sound loss reserving principles. In addition, the actuary's certification must be issued within 90 days after fiscal-year end.

The District did not obtain the services of an actuary to certify that reserved amounts were fairly stated.

The District is not assured that the reserves recorded by the District include enough to pay all future benefits and creates the potential for a future deficit.

We recommend that the District request a report on an annual basis from an actuary which certifies that the liabilities recorded are fairly stated and that this report be completed within 90 days of fiscal year-end. For further guidance, the District should consult the Ohio Compliance Supplement and Auditor of State Bulletin 2001-05.

Client Response: The District became traditionally insured during fiscal 2009.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**LIBERTY LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-LLSD-001	<u>Significant Deficiency:</u> This District was unable to provide a comprehensive detailed listing of capital assets in an easily auditable format including, but not limited to the following: description of the asset, location of the asset, asset tag number, cost, voucher number and vendor name, date placed in service, estimated useful life, depreciation method, depreciation expense and accumulated depreciation for the year by asset and the date asset retired and selling price if applicable.	Yes	N/A - The District received an appraisal of its capital assets in 2008.
2007-LLSD-002	<u>Significant Deficiency:</u> The District lacks controls over timely and accurate financial reports.	No	Finding repeated as 2008-LLSD-002.
2007-LLSD-003	Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.	No	Finding repeated as 2008-LLSD-003.
2007-LLSD-004	5705.39 requires that a subdivision's total appropriations from each fund should not exceed the total estimated resources.	No	Finding repeated as 2008-LLSD-004.

**LIBERTY LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-LLSD-005	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend monies unless it has been appropriated.	Yes	N/A
2007-LLSD-006	Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations.	Yes	N/A
2007-LLSD-007	Ohio Revised Code Section 5705.10, in part, requires that monies paid into any fund shall be expended only after such fund receives monies to cover the expenditure.	No	Finding repeated as 2008-LLSD-005
2007-LLSD-008	Ohio Revised Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.	Yes	N/A



Mary Taylor, CPA
Auditor of State

LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 14, 2009