

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

*BASIC FINANCIAL STATEMENTS
(AUDITED)*

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2009*

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, 2008 through June 30, 2009. 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

April 12, 2010

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements have been prepared assuming the Liberty Local School District will continue as a going concern. The Ohio Department of Education declared the Liberty Local School District to be in the state of fiscal caution effective January 18, 2010 due to the possibility of ending the 2010 fiscal year in a deficit as well as the potential for deficits in future years. This matter is further described in Note 18 to the basic financial statements. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2010, 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.

Independent Auditor's Report
Liberty Local School District
Page Two

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.

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 E. Grube, Inc.".

Julian & Grube, Inc.
March 1, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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, 2009. 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 2009 are as follows:

- In total, net assets of governmental activities decreased \$144,143 which represents a 9.24% decrease from fiscal year 2008.
- General revenues accounted for \$15,413,173 in revenue or 80.65% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,697,640 or 19.35% of total revenues of \$19,110,813.
- The District had \$19,254,956 in expenses related to governmental activities; only \$3,697,640 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 \$15,413,173 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$15,711,339 in revenues and \$16,210,124 in expenditures and other financing uses. During fiscal year 2009, the general fund's fund deficit increased \$484,743 from a deficit of \$2,086,108 to a deficit of \$2,570,851.
- The District's debt service fund had \$890,955 in revenues and \$875,499 in expenditures. During fiscal year 2009, the debt service fund's fund balance increased \$15,456 from \$291,861 to \$307,317.

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 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, 2009

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 2009?" 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 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 15-19 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 20-22 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 23. 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 24-52 of this report.

The District as a Whole

The table below provides a summary of the District's net assets at June 30, 2009 and June 30, 2008.

	Net Assets	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<u>Assets</u>		
Current and other assets	\$ 13,264,257	\$ 13,127,782
Capital assets, net	<u>11,480,446</u>	<u>12,071,239</u>
Total assets	<u>24,744,703</u>	<u>25,199,021</u>
<u>Liabilities</u>		
Current liabilities	13,287,981	13,318,507
Long-term liabilities	<u>10,040,852</u>	<u>10,320,501</u>
Total liabilities	<u>23,328,833</u>	<u>23,639,008</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4,345,476	4,686,323
Restricted	1,581,988	976,160
Unrestricted (deficit)	<u>(4,511,594)</u>	<u>(4,102,470)</u>
Total net assets	<u>\$ 1,415,870</u>	<u>\$ 1,560,013</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$1,415,870.

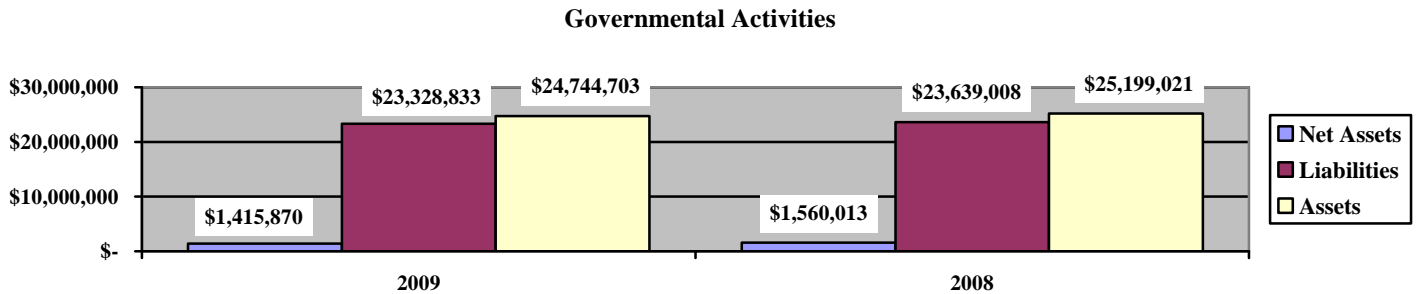
**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

At fiscal year-end, capital assets represented 46.40% 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, 2009, were \$4,345,476. 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, \$1,581,988, 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 \$4,511,594.

The graph below shows the District's assets, liabilities and net assets at June 30, 2009 and June 30, 2008.



The table below shows the change in net assets for fiscal years 2009 and 2008.

	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2008</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,495,866	\$ 1,256,602
Operating grants and contributions	2,181,622	2,020,449
Capital grants and contributions	20,152	12,254
General revenues:		
Property taxes	8,580,580	8,838,295
Grants and entitlements	6,618,896	6,386,883
Investment earnings	28,974	109,001
Other	<u>184,723</u>	<u>134,954</u>
Total revenues	<u>19,110,813</u>	<u>18,758,438</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
	<u>2009</u>	<u>2008</u>
<u>Expenses</u>		
Program revenues:		
Instruction:		
Regular	\$ 9,341,319	\$ 8,822,969
Special	1,047,355	1,285,765
Vocational	74,993	74,269
Adult	1,624	2,273
Other	61,530	50,626
Support services:		
Pupil	485,598	479,745
Instructional staff	812,715	576,373
Board of education	11,094	5,563
Administration	2,219,242	2,708,251
Fiscal	560,994	511,807
Business	11,662	19,408
Operations and maintenance	1,704,973	1,949,278
Pupil transportation	967,566	1,091,568
Central	45,839	61,350
Operations of non-instructional services:		
Other non-instructional services	59,191	46,273
Food service operations	819,346	802,164
Extracurricular activities	534,487	500,186
Interest and fiscal charges	495,428	508,301
Total expenses	<u>19,254,956</u>	<u>19,496,169</u>
Changes in net assets	(144,143)	(737,731)
Net assets at beginning of year	<u>1,560,013</u>	<u>2,297,744</u>
Net assets at end of year	<u>\$ 1,415,870</u>	<u>\$ 1,560,013</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$144,143. Total governmental expenses of \$19,254,956 were offset by program revenues of \$3,697,640 and general revenues of \$15,413,173. Program revenues supported 19.20% of the total governmental expenses.

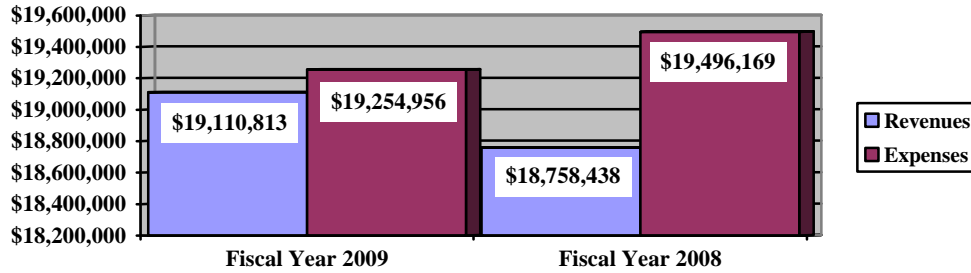
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 79.53% of total governmental revenue. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.

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 2009 and 2008. 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 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses				
Instruction:				
Regular	\$ 9,341,319	\$ 8,069,164	\$ 8,822,969	\$ 7,775,463
Special	1,047,355	107,708	1,285,765	239,812
Vocational	74,993	65,852	74,269	61,780
Adult	1,624	137	2,273	(157)
Other	61,530	61,530	50,626	50,626
Support services:				
Pupil	485,598	469,708	479,745	467,501
Instructional staff	812,715	449,203	576,373	349,568
Board of education	11,094	11,094	5,563	5,563
Administration	2,219,242	2,142,329	2,708,251	2,636,590
Fiscal	560,994	560,216	511,807	502,864
Business	11,662	11,662	19,408	19,408
Operations and maintenance	1,704,973	1,658,053	1,949,278	1,949,278
Pupil transportation	967,566	945,791	1,091,568	1,072,467
Central	45,839	36,839	61,350	52,350
Operations of non-instructional services:				
Other non-instructional services	59,191	52,192	46,273	46,148
Food service operations	819,346	192	802,164	59,407
Extracurricular activities	534,487	420,218	500,186	409,895
Interest and fiscal charges	495,428	495,428	508,301	508,301
Total expenses	<u>\$ 19,254,956</u>	<u>\$ 15,557,316</u>	<u>\$ 19,496,169</u>	<u>\$ 16,206,864</u>

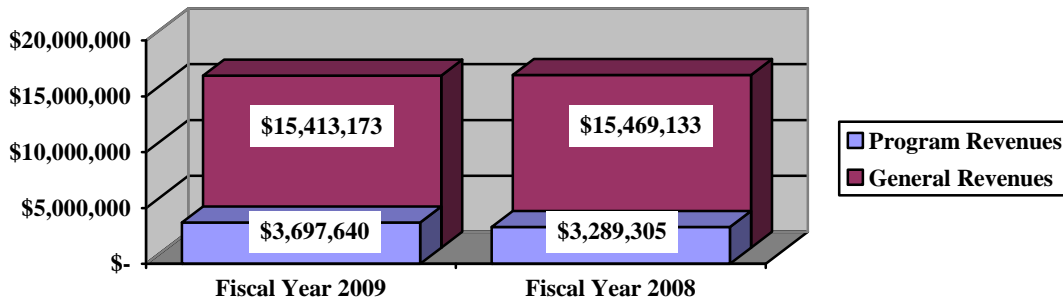
**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The dependence upon tax and other general revenues for governmental activities is apparent, 78.89% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.80%. 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 2009 and 2008.

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 \$1,627,810, which is greater than last year's deficit of \$1,172,531. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and June 30, 2008.

	Fund Balance (Deficit) <u>June 30, 2009</u>	Fund Balance (Deficit) <u>June 30, 2008</u>	<u>Increase/(Decrease)</u>
General	\$ (2,570,851)	\$ (2,086,108)	\$ (484,743)
Debt Service	307,317	291,861	15,456
Other Governmental	<u>635,724</u>	<u>621,716</u>	<u>14,008</u>
Total	<u>\$ (1,627,810)</u>	<u>\$ (1,172,531)</u>	<u>\$ (455,279)</u>

General Fund

The District's general fund deficit increased \$484,743 from a deficit of \$2,086,108 to a deficit of \$2,570,851.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The table that follows assists in illustrating the financial activities and fund balance of the general fund for fiscal years 2009 and 2008.

	2009	*		
	<u>Amount</u>	2008	Increase/ (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 7,614,187	\$ 7,811,511	\$ (197,324)	(2.53) %
Tuition	961,173	796,376	164,797	20.69 %
Earnings on investments	28,974	109,001	(80,027)	(73.42) %
Intergovernmental	6,923,605	6,673,542	250,063	3.75 %
Other revenues	<u>183,400</u>	<u>146,250</u>	<u>37,150</u>	25.40 %
Total	<u>\$ 15,711,339</u>	<u>\$ 15,536,680</u>	<u>\$ 174,659</u>	1.12 %
<u>Expenditures</u>				
Instruction	\$ 9,430,248	\$ 8,730,748	\$ 699,500	8.01 %
Support services	6,266,414	6,888,114	(621,700)	(9.03) %
Operation of non-instructional services	45,297	46,123	(826)	(1.79) %
Extracurricular activities	361,887	315,025	46,862	14.88 %
Debt service	<u>45,463</u>	<u>44,596</u>	<u>867</u>	1.94 %
Total	<u>\$ 16,149,309</u>	<u>\$ 16,024,606</u>	<u>\$ 124,703</u>	0.78 %

* includes the emergency levy fund for comparative purposes

Overall revenues increased \$174,659 or 1.12%. This decrease is primarily attributable to an increase in tax delinquencies. The increase in intergovernmental revenue of \$250,063 or 3.75% is primarily due to Am. Sub. House Bill 66, which phases out the tax on tangible personal property of general businesses and creates a reimbursement for this lost revenue from the State. This reimbursement will be phased out in calendar years 2011-2017.

Overall expenditures increased \$124,703 or 0.78%. This increase is primarily attributable to an increase in instruction expenditures offset by a reduction in support services (administrative and operations and maintenance expenditures). Instruction expenditures increased \$699,500 or 8.01% and support services consisting primarily of administrative expenditures and operations and maintenance decreased \$621,700 or 9.03%. All other expenditures remained comparable to fiscal year 2008.

Debt Service Fund

The District's debt service fund had \$890,955 in revenues and \$875,499 in expenditures. During fiscal year 2009, the debt service fund's fund balance increased \$15,456 from \$291,861 to \$307,317.

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.

For the general fund, final revenues and other financing sources were \$16,337,149, which was \$763,871 greater than the original budgeted amounts. Actual revenues and other financing sources for fiscal year 2009 were \$16,670,727. This amount exceeded final budgeted revenues and other financing sources by \$333,578.

The District's general fund original appropriations (appropriated expenditures plus other financing uses), totaled \$15,515,370 and were increased to \$15,879,548 for the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$17,499,103, which were \$1,619,555 greater than final budgeted expenditures and other financing uses.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$11,480,446 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, 2009 balances compared to the balances at June 30, 2008.

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

	Governmental Activities	
	2009	2008
Land	\$ 349,160	\$ 349,160
Land improvements	410,065	468,140
Buildings and improvements	9,770,490	10,109,533
Furniture and equipment	754,293	849,691
Vehicles	129,112	183,246
Textbooks	67,326	111,469
Total	\$ 11,480,446	\$ 12,071,239

The overall decrease in capital assets is due to depreciation expense of \$590,793. There were no capital asset additions or disposals during fiscal year 2009. See Note 8 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2009, the District had \$8,353,662 in general obligation bonds outstanding. Of this total, \$636,978 is due within one year and \$7,716,684 is due within greater than one year. The following table summarizes the general obligation bonds at June 30, 2009 and June 30, 2008.

Outstanding Debt, at Year End

	2009	2008
General obligation bonds	\$8,353,662	\$8,762,852
Total	\$8,353,662	\$8,762,852

At June 30, 2009, the District's overall legal debt margin was \$14,100,789 with an unvoted debt margin of \$231,393. See Note 9 to basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Current Financial Related Activities

The District faces many challenges in the future. The District relies heavily on local property taxes and the scheduled decreases in personal and tangible taxes contribute to the critical need for additional new local funding.

The major challenge facing the District is the future of State funding. The State 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.

With decreased State funding, cost cutting measures are inevitable unless other revenue sources become available (i.e. operating tax levy). The District was subject to the Ed Choice voucher program in fiscal year 2008, which had a negative impact on the District's enrollment. This caused the District to lose 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, 2009

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 2,034,898
Receivables:	
Taxes	10,897,248
Accounts	23,975
Intergovernmental	172,236
Prepayments	10,960
Materials and supplies inventory	21,869
Unamortized bond issuance costs.	103,071
Capital assets:	
Land	349,160
Depreciable capital assets, net	11,131,286
Total capital assets, net	<u>11,480,446</u>
 Total assets	 <u>24,744,703</u>
 Liabilities:	
Accounts payable	224,129
Accrued wages and benefits.	1,197,884
Pension obligation payable.	349,679
Intergovernmental payable	172,292
Unearned revenue	9,666,999
Accrued interest payable	35,547
Claims payable	92,051
Notes payable	1,549,400
Long-term liabilities:	
Due within one year	966,237
Due in more than one year.	9,074,615
 Total liabilities	 <u>23,328,833</u>
 Net Assets:	
Invested in capital assets, net of related debt	4,345,476
Restricted for:	
Permanent fund - nonexpendable.	4,269
Debt service.	474,324
Capital projects	226,761
Locally funded programs	393
State funded programs	181,479
Federally funded programs	54,003
Student activities	11,076
Other purposes	629,683
Unrestricted (deficit).	<u>(4,511,594)</u>
 Total net assets.	 <u>\$ 1,415,870</u>

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, 2009

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 9,341,319	\$ 966,866	\$ 305,289	\$ -	\$ (8,069,164)
Special	1,047,355	10,074	929,573	-	(107,708)
Vocational.	74,993	-	9,141	-	(65,852)
Adult.	1,624	-	1,487	-	(137)
Other.	61,530	-	-	-	(61,530)
Support services:					
Pupil	485,598	-	15,890	-	(469,708)
Instructional staff	812,715	-	363,512	-	(449,203)
Board of education.	11,094	-	-	-	(11,094)
Administration	2,219,242	74,186	2,727	-	(2,142,329)
Fiscal.	560,994	-	778	-	(560,216)
Business	11,662	-	-	-	(11,662)
Operations and maintenance.	1,704,973	46,920	-	-	(1,658,053)
Pupil transportation	967,566	-	1,623	20,152	(945,791)
Central.	45,839	-	9,000	-	(36,839)
Operation of non-instructional services:					
Other non-instructional services	59,191	-	6,999	-	(52,192)
Food service operations	819,346	283,551	535,603	-	(192)
Extracurricular activities	534,487	114,269	-	-	(420,218)
Interest and fiscal charges.	495,428	-	-	-	(495,428)
Totals.	\$ 19,254,956	\$ 1,495,866	\$ 2,181,622	\$ 20,152	(15,557,316)

General Revenues:

Property taxes levied for:	
General purposes	7,646,170
Debt service.	800,999
Capital projects	133,411
Grants and entitlements not restricted	
to specific programs.	6,618,896
Investment earnings	28,974
Miscellaneous	184,723
Total general revenues	15,413,173
Change in net assets.	(144,143)
Net assets at beginning of year	1,560,013
Net assets at end of year	\$ 1,415,870

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 403,743	\$ 302,619	\$ 971,025	\$ 1,677,387
Receivables:				
Taxes	9,067,343	1,680,077	149,828	10,897,248
Accounts	19,779	-	3,775	23,554
Intergovernmental	-	-	172,236	172,236
Prepayments	10,960	-	-	10,960
Materials and supplies inventory.	14,989	-	6,880	21,869
Restricted assets:				
Equity in pooled cash and cash equivalents	315,350	-	-	315,350
Total assets	<u>\$ 9,832,164</u>	<u>\$ 1,982,696</u>	<u>\$ 1,303,744</u>	<u>\$ 13,118,604</u>
Liabilities:				
Accounts payable.	\$ 134,900	\$ -	\$ 89,229	\$ 224,129
Accrued wages and benefits	1,076,893	-	120,991	1,197,884
Compensated absences payable.	140,186	-	-	140,186
Early retirement incentive payable	56,250	-	-	56,250
Pension obligation payable	235,475	-	114,204	349,679
Intergovernmental payable	150,341	-	21,951	172,292
Deferred revenue	998,309	184,975	188,732	1,372,016
Accrued interest payable	17,579	-	-	17,579
Notes payable	1,549,400	-	-	1,549,400
Unearned revenue.	8,043,682	1,490,404	132,913	9,666,999
Total liabilities	<u>12,403,015</u>	<u>1,675,379</u>	<u>668,020</u>	<u>14,746,414</u>
Fund Balances:				
Reserved for encumbrances.	350,948	-	213,222	564,170
Reserved for materials and supplies inventory	14,989	-	6,880	21,869
Reserved for property tax unavailable for appropriation.	25,352	4,698	419	30,469
Reserved for prepayments.	10,960	-	-	10,960
Reserved for school bus purchase.	39,581	-	-	39,581
Reserved for textbooks/instructional supplies	275,769	-	-	275,769
Reserved for debt service	-	302,619	-	302,619
Reserved for permanent fund	-	-	4,269	4,269
Unreserved, undesignated (deficit), reported in:				
General fund.	(3,288,450)	-	-	(3,288,450)
Special revenue funds	-	-	205,515	205,515
Capital projects funds	-	-	205,419	205,419
Total fund balances (deficit).	<u>(2,570,851)</u>	<u>307,317</u>	<u>635,724</u>	<u>(1,627,810)</u>
Total liabilities and fund balances	<u>\$ 9,832,164</u>	<u>\$ 1,982,696</u>	<u>\$ 1,303,744</u>	<u>\$ 13,118,604</u>

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, 2009

Total governmental fund balance (deficit)		\$ (1,627,810)
<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.		11,480,446
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 1,199,780	
Intergovernmental receivable	<u>172,236</u>	
Total		1,372,016
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.		(49,469)
In the statement of activities interest is accrued on outstanding bonds and notes, whereas in governmental funds, interest expenditures are reported when due.		(17,968)
Unamortized bond issuance costs are not recognized in the funds governmental activities on the statement of net assets.		103,071
Unamortized premiums on bond issuances are not recognized in the funds.		(335,364)
Unamortized deferred charges on refundings are not recognized in the funds.		232,288
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(8,353,662)	
Early retirement incentive payable	(56,250)	
Compensated absences payable	<u>(1,331,428)</u>	
Total		<u>(9,741,340)</u>
Net assets of governmental activities		<u><u>\$ 1,415,870</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/(DEFICIT)
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 7,614,187	\$ 750,774	\$ 109,950	\$ 8,474,911
Tuition.	961,173	-	2,500	963,673
Charges for services.	-	-	283,551	283,551
Earnings on investments.	28,974	-	-	28,974
Extracurricular	-	-	114,269	114,269
Classroom materials and fees	13,267	-	74,186	87,453
Contributions and donations	-	-	3,326	3,326
Other local revenues.	170,133	-	63,010	233,143
Intergovernmental - state.	6,859,021	140,181	452,845	7,452,047
Intergovernmental - federal	64,584	-	1,192,505	1,257,089
Total revenues	<u>15,711,339</u>	<u>890,955</u>	<u>2,296,142</u>	<u>18,898,436</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,716,304	-	322,840	9,039,144
Special.	576,560	-	508,738	1,085,298
Vocational.	75,854	-	-	75,854
Adult.	-	-	1,624	1,624
Other.	61,530	-	-	61,530
Support services:				
Pupil.	503,344	-	14,120	517,464
Instructional staff	395,414	-	419,052	814,466
Board of education	11,094	-	-	11,094
Administration	2,161,076	-	75,829	2,236,905
Fiscal	546,774	16,133	2,631	565,538
Business.	11,662	-	-	11,662
Operations and maintenance	1,663,602	-	16,584	1,680,186
Pupil transportation	940,029	-	2,741	942,770
Central	33,419	-	12,420	45,839
Operation of non-instructional services:				
Other non-instructional services.	45,297	-	13,894	59,191
Food service operations.	-	-	788,975	788,975
Extracurricular activities	361,887	-	119,154	481,041
Debt service:				
Principal retirement.	-	635,000	-	635,000
Interest and fiscal charges.	45,463	224,366	-	269,829
Total expenditures.	<u>16,149,309</u>	<u>875,499</u>	<u>2,298,602</u>	<u>19,323,410</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(437,970)</u>	<u>15,456</u>	<u>(2,460)</u>	<u>(424,974)</u>
Other financing sources (uses):				
Transfers in	-	-	17,142	17,142
Transfers out	(60,815)	-	-	(60,815)
Total other financing sources (uses)	<u>(60,815)</u>	<u>-</u>	<u>17,142</u>	<u>(43,673)</u>
Net change in fund balances	(498,785)	15,456	14,682	(468,647)
Fund balances (deficit) at beginning of year.	(2,086,108)	291,861	621,716	(1,172,531)
Increase (decrease) in reserve for inventory.	14,042	-	(674)	13,368
Fund balances (deficit) at end of year	<u>\$ (2,570,851)</u>	<u>\$ 307,317</u>	<u>\$ 635,724</u>	<u>\$ (1,627,810)</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, 2009

Net change in fund balances - total governmental funds	\$	(468,647)
<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.		
		(590,793)
Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.		
		13,368
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	\$ 105,669	
Intergovernmental revenues	106,708	
Total		212,377
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		635,000
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	212	
Accreted interest on capital appreciation bonds	(225,810)	
Amortization of bond issuance costs	(9,028)	
Amortization of bond premiums	29,374	
Amortization of deferred charges on refundings	(20,347)	
Total		(225,599)
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.		
		5,900
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.		
		274,251
Change in net assets of governmental activities	\$	(144,143)

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
From local sources:				
Taxes	\$ 7,134,694	\$ 7,484,652	\$ 7,637,476	\$ 152,824
Tuition.	897,898	941,940	961,173	19,233
Earnings on investments.	34,272	35,953	36,687	734
Classroom material & fees.	12,834	13,463	13,738	275
Other local revenues.	164,620	172,695	176,221	3,526
Intergovernmental - state	6,407,485	6,721,773	6,859,021	137,248
Total revenues.	<u>14,651,803</u>	<u>15,370,476</u>	<u>15,684,316</u>	<u>313,840</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,571,490	8,332,800	9,182,661	(849,861)
Special.	57,417	558,308	615,250	(56,942)
Vocational.	73,498	70,988	78,228	(7,240)
Support services:				
Pupil.	462,220	450,023	495,921	(45,898)
Instructional staff	393,622	382,053	421,019	(38,966)
Board of education.	9,800	9,443	10,406	(963)
Administration.	1,997,510	1,941,971	2,140,033	(198,062)
Fiscal.	525,918	510,757	562,849	(52,092)
Business	11,433	10,632	11,716	(1,084)
Operations and maintenance	1,826,015	1,775,251	1,956,309	(181,058)
Pupil transportation	1,001,205	973,958	1,073,292	(99,334)
Central	31,032	29,911	32,962	(3,051)
Operation of non-instructional services	42,465	41,579	45,820	(4,241)
Extracurricular activities.	339,724	330,564	364,278	(33,714)
Debt service:				
Principal retirement.	331,557	322,326	355,200	(32,874)
Interest and fiscal charges.	29,399	27,962	30,814	(2,852)
Total expenditures	<u>15,704,305</u>	<u>15,768,526</u>	<u>17,376,758</u>	<u>(1,608,232)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,052,502)</u>	<u>(398,050)</u>	<u>(1,692,442)</u>	<u>(1,294,392)</u>
Other financing sources (uses):				
Refund of prior year expenditure	137,707	144,461	147,411	2,950
Transfers out	(57,165)	(55,187)	(60,815)	(5,628)
Other miscellaneous (use) of funds	(53,900)	(55,835)	(61,530)	(5,695)
Sale of notes	783,768	822,212	839,000	16,788
Total other financing sources (uses).	<u>810,410</u>	<u>855,651</u>	<u>864,066</u>	<u>8,415</u>
Net change in fund balance.	(242,092)	457,601	(828,376)	(1,285,977)
Fund balance at beginning of year	703,966	703,966	703,966	-
Prior year encumbrances appropriated.	422,023	422,023	422,023	-
Fund balance at end of year.	<u>\$ 883,897</u>	<u>\$ 1,583,590</u>	<u>\$ 297,613</u>	<u>\$ (1,285,977)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents. . .	\$ 42,161
Receivables:	
Accounts	421
Total assets	42,582
Liabilities:	
Claims payable	92,051
Total liabilities	92,051
Net assets:	
Unrestricted (deficit)	(49,469)
Total net assets (deficit)	\$ (49,469)

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, 2009

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services.	\$ 3,074,175
Total operating revenues	<u>3,074,175</u>
 Operating expenses:	
Claims expense	<u>2,843,597</u>
Total operating expenses	<u>2,843,597</u>
 Operating income before transfers	230,578
 Transfers in	<u>43,673</u>
 Change in net assets.	274,251
Net assets (deficit) at beginning of year. .	<u>(323,720)</u>
Net assets (deficit) at end of year	<u><u>\$ (49,469)</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, 2009

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash received from charges for services	\$ 3,073,754
Cash payments for claims and administrative services	<u>(3,108,541)</u>
Net cash used in operating activities	<u>(34,787)</u>
Cash flows from noncapital financing activities:	
Cash received from transfers in	<u>43,673</u>
Net cash provided by noncapital financing activities.	<u>43,673</u>
Net increase in cash and cash equivalents	8,886
Cash and cash equivalents at beginning of year	<u>33,275</u>
Cash and cash equivalents at end of year.	<u><u>\$ 42,161</u></u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	\$ 230,578
Changes in assets and liabilities:	
(Increase) in accounts receivable.	(421)
(Decrease) in claims payable	<u>(264,944)</u>
Net cash used in operating activities	<u><u>\$ (34,787)</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, 2009

		Agency
Assets:		
Equity in pooled cash and cash equivalents	\$	52,236
Receivables:		
Accounts		10
Total assets	\$	52,246
Liabilities:		
Accounts payable.	\$	11,726
Due to students.		40,520
Total liabilities	\$	52,246

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, 2009**

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 922 public school districts in the State. It currently operates one elementary school and one comprehensive middle/high school. The District is staffed by 87 non-certified and 162 certified personnel to provide services to approximately 1,521 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 and component units. 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, food 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 the organization's resources; or (3) the 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. 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, 2009

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

The following organization is described due to its 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.

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, 2009

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.

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, 2009

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 claims expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expense.

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, 2009

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

Revenues - Exchange and Nonexchange 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, 2009, but which were levied to finance fiscal year 2010 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, 2009 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, 2009

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 level. Any budgetary modifications at this level 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 level. Although the legal level of control has been established at the fund level of expenditures, the District has elected to present the budgetary statement for the general fund at the fund and function level of expenditures in the basic financial statements. Any revisions that alter the fund 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, 2009

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. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2009, investments were limited to 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 2009. 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, 2009.

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 2009 amounted to \$28,974, which includes \$16,972 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 fair market 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, 2009

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 short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no interfund loans outstanding at June 30, 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

J. Compensated Absences

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2009, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. All employees with at least 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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, early retirement incentives 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, 2009

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 prepayments. 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 consist of amounts restricted for school bus purchases, textbooks/instructional supplies, food service operations and special trusts.

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

P. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

Q. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

R. 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.

S. 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.

T. 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 2009.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 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, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances/Net Assets

Fund balances/net assets at June 30, 2009 included the following individual fund deficits:

	<u>Deficit</u>
<u>Major Governmental Fund</u>	
General	\$ 2,570,851
<u>Nonmajor Governmental Funds</u>	
Public school preschool	54,371
Title VI-B	50,889
Title IV	588
Title II-A	8,346
<u>Internal Service Fund</u>	
Self-insurance	49,469

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances result from adjustments for accrued liabilities. The deficit balance in the general fund will be eliminated by resources not recognized or recorded at fiscal year end.

C. Noncompliance

- a. Ohio Administrative Code Section 117-2-03(B) requires an annual GAAP report to be filed within one-hundred-fifty days after close of the fiscal year. The fiscal year 2009 report was not filed until February 2010 with the Auditor of State.
- b. The District had appropriations in excess of resources at and during the fiscal year ended June 30, 2009 in noncompliance with Ohio Revised Code Sections 5705.39 and 5705.36.
- c. The District had expenditures in excess of appropriations at and during the fiscal year ended June 30, 2009 in noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40.
- d. 31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program Specific audit conducted for that year and filed with the Federal Audit Clearinghouse within nine months of year end. In fiscal year 2007 and 2008, the District did not file their reporting packet until subsequent the required deadline.
- e. The District is in noncompliance with Internal Revenue Code Section 3403, Chapter 26 due to lack of timely filing of tax withholding and employer liability statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 fair 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);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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,
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. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$2,079,228. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$1,883,302 of the District's bank balance of \$2,133,302 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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.

B. Investments

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 7,906	\$ 7,906
Total	<u>\$ 7,906</u>	<u>\$ 7,906</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 7,906	100.00%
Total	<u>\$ 7,906</u>	<u>100.00%</u>

C. 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, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,079,228
Investments	<u>7,906</u>
Total	<u>\$ 2,087,134</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,034,898
Agency fund	<u>52,236</u>
Total	<u>\$ 2,087,134</u>

**LIBERTY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

Transfers from the general fund to:	
Nonmajor governmental fund	\$ 17,142
Internal service fund	<u>43,673</u>
Total	<u>\$ 60,815</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. Transfers between governmental activities have been eliminated for reporting in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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 property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$25,352 in the general fund, \$4,698 in the debt service fund and \$419 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2008 was \$48,641 in the general fund, \$10,193 in the debt service fund, \$1,193 in the permanent improvement fund (a nonmajor governmental fund) and \$22,735 in the emergency levy fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the 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, 2009 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.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 226,103,580	96.89	\$ 226,728,180	96.34
Public utility personal	4,590,060	1.97	4,778,850	2.03
Tangible personal property	<u>2,663,059</u>	<u>1.14</u>	<u>3,839,110</u>	<u>1.63</u>
Total	<u>\$ 233,356,699</u>	<u>100.00</u>	<u>\$ 235,346,140</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$53.30		\$50.90	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 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	\$	10,897,248
Accounts		23,975
Intergovernmental		<u>172,236</u>
Total	\$	<u>11,093,459</u>

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

NOTE 8 - CAPITAL ASSETS

Capital assets of the governmental for fiscal year 2009, is as follows:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/09</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 349,160	\$ -	\$ -	\$ 349,160
Total capital assets, not being depreciated	<u>349,160</u>	<u>-</u>	<u>-</u>	<u>349,160</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,328,044	-	-	1,328,044
Buildings and improvements	16,578,418	-	-	16,578,418
Furniture and equipment	1,811,103	-	-	1,811,103
Vehicles	1,076,837	-	-	1,076,837
Textbooks	<u>911,660</u>	<u>-</u>	<u>-</u>	<u>911,660</u>
Total capital assets, being depreciated	<u>21,706,062</u>	<u>-</u>	<u>-</u>	<u>21,706,062</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(859,904)	(58,075)	-	(917,979)
Buildings and improvements	(6,468,885)	(339,043)	-	(6,807,928)
Furniture and equipment	(961,412)	(95,398)	-	(1,056,810)
Vehicles	(893,591)	(54,134)	-	(947,725)
Textbooks	<u>(800,191)</u>	<u>(44,143)</u>	<u>-</u>	<u>(844,334)</u>
Total accumulated depreciation	<u>(9,983,983)</u>	<u>(590,793)</u>	<u>-</u>	<u>(10,574,776)</u>
Governmental activities capital assets, net	<u>\$ 12,071,239</u>	<u>\$ (590,793)</u>	<u>\$ -</u>	<u>\$ 11,480,446</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 421,428
<u>Support services:</u>	
Operations and maintenance	27,918
Pupil transportation	52,886
Food service operations	35,115
Extracurricular activities	<u>53,446</u>
Total depreciation expense	<u>\$ 590,793</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

	Balance			Balance	Amounts
	06/30/08	Additions	Reductions	06/30/09	Due in
					One Year
General obligation bonds	\$ 8,762,852	\$ 225,810	\$ (635,000)	\$ 8,353,662	\$ 636,978
Early retirement incentive	-	112,500	-	112,500	56,250
Compensated absences	<u>1,445,546</u>	<u>212,517</u>	<u>(186,449)</u>	<u>1,471,614</u>	<u>273,009</u>
Total	<u>\$ 10,208,398</u>	<u>\$ 550,827</u>	<u>\$ (821,449)</u>	9,937,776	<u>\$ 966,237</u>
Less: Unamortized deferred charge on refunding				(232,288)	
Add: Unamortized premium on refunding				<u>335,364</u>	
Total on statement of net assets				<u>\$ 10,040,852</u>	

Early Retirement Incentive: The District has offered an early retirement incentive (ERI) to non-certified staff and certified teaching staff. A liability for severance payments due under the ERI has been recorded on the fund financial statements, in the general fund, as early retirement incentive payable to the extent the liability is expected to be liquidated with expendable available resources. A liability for severance payments due under the ERI has been recorded on the statement of net assets as a long-term liability if the liability is not expected to be liquidated with expendable available resources. See Note 11.B for detail.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The issue is comprised of both current interest bonds, par value \$9,930,000, and capital appreciation bonds, par value \$1,269,918. In fiscal year 2006, the District refunded \$6,335,000, which is the callable portion of the current interest bonds. The District made the final payment on the noncallable portion of the bonds in fiscal year 2008. In fiscal year 2009, capital appreciation bonds of \$278,018 matured with a total accreted interest of \$281,982. The outstanding portion of the issue consists of capital appreciation bonds, par value \$991,900. The remaining capital appreciation bonds mature on December 1, 2009, December 1, 2010, December 1, 2011 and December 1, 2012 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the remaining capital appreciation bonds is \$2,375,000. Total accreted interest of \$1,096,930 has been included on the statement of net assets at June 30, 2009.

The following is a schedule of activity for fiscal year 2009 on the 1997 series general obligation bonds:

	Balance Outstanding <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/09</u>	Amounts Due in <u>One Year</u>
General obligation bonds - series 1997:					
Capital appreciation bonds	\$ 1,269,918	\$ -	\$ (278,018)	\$ 991,900	\$ 266,352
Accreted interest	<u>1,231,423</u>	<u>147,489</u>	<u>(281,982)</u>	<u>1,096,930</u>	<u>290,626</u>
Total G.O. bonds - series 1997	<u>\$ 2,501,341</u>	<u>\$ 147,489</u>	<u>\$ (560,000)</u>	<u>\$ 2,088,830</u>	<u>\$ 556,978</u>

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

Fiscal Year Ending June 30,	<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 991,900</u>	<u>\$ 1,383,100</u>	<u>\$ 2,375,000</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. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

The refunding issue is comprised of both current interest bonds, par value \$5,690,000 and capital appreciation bonds, par value \$644,994. 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 accreted value at maturity for the capital appreciation bonds is \$1,530,000. Total accreted interest of \$224,838 has been included on the statement of net assets at June 30, 2009.

**LIBERTY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2009 on the 2006 series refunding bonds:

	Balance Outstanding <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/09</u>	Amounts Due in <u>One Year</u>
Refunding bonds - series 2006:					
Current interest bonds	\$ 5,470,000	\$ -	\$ (75,000)	\$ 5,395,000	\$ 80,000
Capital appreciation bonds	644,994	-	-	644,994	-
Accreted interest	<u>146,517</u>	<u>78,321</u>	<u>-</u>	<u>224,838</u>	<u>-</u>
Total refunding bonds - series 2006	<u>\$ 6,261,511</u>	<u>\$ 78,321</u>	<u>\$ (75,000)</u>	<u>\$ 6,264,832</u>	<u>\$ 80,000</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 2006 series refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	715,000	210,897	925,897	-	-	-
2015-2019	2,530,000	778,336	3,308,336	644,994	885,006	1,530,000
2020-2021	<u>1,815,000</u>	<u>110,028</u>	<u>1,925,028</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,395,000</u>	<u>\$ 1,974,196</u>	<u>\$ 7,369,196</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, 2009, are a voted debt margin of \$14,100,789 (including available funds of \$307,317) and an unvoted debt margin of \$231,393.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - NOTES PAYABLE

The District issued tax anticipation notes on June 16, 2005 in the amount of \$1,776,000 and on February 12, 2009 in the amount of \$839,000. These 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 in the amount of \$1,776,000 mature on December 10, 2010 and bear an interest rate of 3.47%. The tax anticipation notes in the amount of \$839,000 mature on December 1, 2014 and bear an interest rate of 4.90%. These notes are backed by the full faith and credit of the District. During fiscal year 2009, the District made \$355,200 in principal and \$30,814 in interest payments out of the general fund.

The following is a schedule of activity for fiscal year 2009 on the tax anticipation notes:

	Balance Outstanding <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/09</u>	Amounts Due in <u>One Year</u>
Tax anticipation note - 3.47%	\$ 1,065,600	\$ -	\$ (355,200)	\$ 710,400	\$ 355,200
Tax anticipation note - 4.90%	<u>-</u>	<u>839,000</u>	<u>-</u>	<u>839,000</u>	<u>-</u>
Total tax anticipation notes	<u>\$ 1,065,600</u>	<u>\$ 839,000</u>	<u>\$ (355,200)</u>	<u>\$ 1,549,400</u>	<u>\$ 355,200</u>

The following is a summary of the future debt service requirements to maturity for the tax anticipation notes:

Fiscal Year <u>Ending June 30,</u>	<u>Tax Anticipation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 355,200	\$ 72,047	\$ 427,247
2011	523,000	43,163	566,163
2012	167,800	28,778	196,578
2013	167,800	20,556	188,356
2014	167,800	12,333	180,133
2015	<u>167,800</u>	<u>4,111</u>	<u>171,911</u>
Total	<u>\$ 1,549,400</u>	<u>\$ 180,988</u>	<u>\$ 1,730,388</u>

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.

**LIBERTY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)

B. Early Retirement Incentive - STRS Ohio

The District provides an early retirement incentive plan for State Teachers Retirement System of Ohio (STRS Ohio) employees who are eligible for retirement under STRS Ohio guidelines and provide a written notification of the intent to retire by June 15, 2009 with an effective date following the conclusion of fiscal year 2009. The amount of the early retirement incentive is not to exceed \$22,500. Payments are made in two equal installments in January 2010 and January 2011. During fiscal year 2009, five employees took advantage of the early retirement incentive.

C. Early Retirement Incentive - SERS

The District provides an early retirement incentive plan for School Employee Retirement System (SERS) employees who are eligible for retirement under SERS guidelines and provide a written notification of the intent to retire by June 15, 2009 with an effective date following the conclusion of fiscal year 2009. The amount of the early retirement incentive is not to exceed \$5,000. Payments are made in two equal installments in January 2010 and January 2011. During fiscal year 2009, none of the District's employees took advantage of the early retirement incentive.

D. Insurance Benefits

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

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 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 12 - RISK MANAGEMENT - (Continued)

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., reviewed and paid all claims for the period July 1, 2008 through March 31, 2009. Effective April 1, 2009, Anthem Insurance Companies, Inc. became the District's third-party administrator. 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 \$92,051 reported in the internal service fund at June 30, 2009 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 2009 are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2009	\$ 356,995	\$ 2,843,597	\$ (3,108,541)	\$ 92,051
2008	343,588	2,411,227	(2,397,820)	356,995

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).

C. Workers' Compensation

Workers' compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**LIBERTY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 2009, 9.09 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, 2009, 2008 and 2007 were \$187,075, \$184,053 and \$190,249, respectively; 46.27 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 13 - PENSION PLANS - (Continued)

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 2009, 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, 2009, 2008 and 2007 were \$862,484, \$883,542 and \$830,494, respectively; 82.60 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$5,497 made by the District and \$14,413 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, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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 105(e). For 2009, 4.16 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 2009, the actuarially determined amount was \$35,800.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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 (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$117,770, \$124,971 and \$101,270, respectively; 46.27 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$15,435, \$13,261 and \$12,937, respectively; 46.27 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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.

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 2009, 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, 2009, 2008, and 2007 were \$66,345, \$67,965 and \$63,884, respectively; 82.60 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 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);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (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 is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (828,376)
Net adjustment for revenue accruals	27,023
Net adjustment for expenditure accruals	805,969
Net adjustment for other sources/uses	(924,881)
Adjustment for encumbrances	421,480
GAAP basis	\$ (498,785)

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 supplies 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 supplies and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks/ Instructional Supplies</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2008	\$ 214,831	\$ -
Current year set-aside requirement	251,477	251,477
Current year offsets	-	(133,459)
Qualifying disbursements	<u>(190,539)</u>	<u>(368,648)</u>
Total	<u>\$ 275,769</u>	<u>\$ (250,630)</u>
Balance carried forward to fiscal year 2010	<u>\$ 275,769</u>	<u>\$ -</u>

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 \$39,581 in cash restricted for school bus purchases.

A schedule of the governmental fund restricted assets at June 30, 2009 follows:

Restricted for school bus purchases	\$ 39,581
Restricted for textbooks/instructional supplies	<u>275,769</u>
Total restricted assets	<u>\$ 315,350</u>

NOTE 18 - FISCAL CAUTION/GOING CONCERN

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles which contemplates continuation of the District as a going concern. The Ohio Department of Education placed the District in fiscal caution effective January 18, 2010 due to the possibility of ending the 2010 fiscal year in a deficit as well as the potential for deficits in future years.

In accordance with Ohio Revised Code Section 3316.04 the District Board of Education must submit a fiscal caution proposal that addresses the projected deficits for the 2010 and future fiscal years. The District is currently working on this proposal which includes the Districts renewal levy on the ballot for May 2010.

SUPPLEMENTARY DATA

**LIBERTY LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(E) PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Nutrition Grant Cluster:				
(A) (C) School Breakfast Program	10.553	2009	\$ 147,640	\$ 147,640
(A) (B) National School Lunch Program - Food Donation	10.555	2009	54,437	54,437
(A) (C) National School Lunch Program	10.555	2009	324,664	324,664
Total National School Lunch Program			<u>379,101</u>	<u>379,101</u>
Total Nutrition Grant Cluster			<u>526,741</u>	<u>526,741</u>
Fresh Fruit and Vegetable Program	10.582	2009	50,616	50,616
Total U.S. Department of Agriculture			<u>577,357</u>	<u>557,357</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2008	-	48,070
	84.010	2009	319,982	218,399
Total Title I Grants to Local Educational Agencies			<u>319,982</u>	<u>266,469</u>
(F) Special Education Grants to States	84.027	2007	(36,817)	14,742
(F) Special Education Grants to States	84.027	2008	(35,690)	80,089
(F) Special Education Grants to States	84.027	2009	389,335	375,749
Total Special Education Grants to States			<u>316,828</u>	<u>470,580</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	2008	-	7,191
Safe and Drug-Free Schools and Communities State Grants	84.186	2009	5,291	5,879
Total Safe and Drug-Free Schools and Communities State Grants			<u>5,291</u>	<u>13,070</u>
State Grants for Innovative Programs	84.298	2008	-	70
State Grants for Innovative Programs	84.298	2009	186	33
Total State Grants for Innovative Programs			<u>186</u>	<u>103</u>
Education Technology State Grants	84.318	2008	-	818
Education Technology State Grants	84.318	2009	2,746	134
Total Education Technology State Grants			<u>2,746</u>	<u>952</u>
Improving Teacher Quality State Grants	84.367	2008	-	455
Improving Teacher Quality State Grants	84.367	2009	27,082	27,082
Total Improving Teacher Quality State Grants			<u>27,082</u>	<u>27,537</u>
Total U.S. Department of Education			<u>672,115</u>	<u>778,711</u>
Total Federal Financial Assistance			<u>\$ 1,249,472</u>	<u>\$ 1,356,068</u>

(A) Included as part of "Nutrition Grant Cluster" in determining major programs.

(B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market value.

(C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.

(D) This schedule was prepared on the cash basis of accounting.

(E) OAKS did not assign pass-through number for fiscal year 2009.

(F) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2009, the ODE authorized the following transfers:

Program Title	CFDA	Current Year	Transfer-In	Transfer-Out
Special Education_Grants to States	84.027	2007	-	\$ 36,817
Special Education_Grants to States	84.027	2009	\$ 36,817	-
Special Education_Grants to States	84.027	2008	-	\$ 35,690
Special Education_Grants to States	84.027	2009	\$ 35,690	-
Totals			<u>\$ 72,507</u>	<u>\$ 72,507</u>



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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, 2009, which collectively comprise Liberty Local School District's basic financial statements and have issued our report thereon dated March 1, 2010 in which we noted the Liberty Local School District is experiencing certain financial difficulties that raises substantial doubt about the Liberty Local School District's ability to continue as a going concern. 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 2009-LLSD-001 through 2009-LLSD-003 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, of the significant deficiencies described above, we consider items 2009-LLSD-001 through 2009-LLSD-002 to be material weaknesses.

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 six 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 2009-LLSD-003 through 2009-LLSD-008.

We noted certain matters that we reported to management of the Liberty Local School District in a separate letter dated March 1, 2010.

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.
March 1, 2010



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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, 2009. 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, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings and responses as item 2009-LLSD-009.

Board of Education
Liberty Local School District

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.

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.

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

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.
March 1, 2010

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

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>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Nutrition Cluster: School Breakfast Program - CFDA #10.553; National School Lunch Program - CFDA #10.555; 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, 2009**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2009-LLSD-001

Significant Deficiency/Material Weakness

The District had the following audit adjustments necessary to properly record fiscal year 2009 activity.

Fiscal year 2009 Audit Adjustments

1. Increase General Fund proceeds of notes and cash and decrease Debt Service Fund tax receipts and cash in the amount of \$275,618 to properly record the receipt of tax anticipation notes.
2. Increase General Fund cash and decrease General Fund fiscal charges and decrease Debt Service Fund cash and decrease Debt Service tax receipts in the amount of \$463,738 to properly record the tax receipts and deductions in accordance with county auditor settlement statements.
3. Increase General Fund principal and interest charges and decrease General Fund cash and increase Debt Service Fund cash and increase Debt Service Fund principal and interest charges in the amount of \$386,014 to properly record debt payments.
4. Increase Debt Service Fund cash and intergovernmental state receipts, increase Permanent Improvement Fund cash and intergovernmental state receipts, and decrease General Fund cash and intergovernmental receipts in the amounts of \$31,989, \$7,809 and \$39,798, respectively to properly allocate tangible personal property loss reimbursement receipts.
5. Upon conclusion of the bank reconciliation for the fiscal year ended, the following adjustments were necessary: decrease General Fund cash (\$118,287), decrease Other Grant cash (\$1,500), decrease District Managed Student Activity (\$1,207), decrease Auxiliary Services (\$548) and decrease Employee Benefits (\$753) for various receipt and expenditure differences between bank and book, however primarily due to claims paid and not recorded.

The above adjustments have been recorded by the District.

The District lacks control over financial reporting.

We recommend the District review its current controls over financial reporting and develop additional policies, procedures and controls to help ensure more accurate posting and reporting of receipts and disbursements.

Clients Response: The District's lack of funds and personnel has hindered the District's ability to be more accurate. The District is reviewing its current staffing and procedures and seek to reach a conclusion that will better facilitate more accurate financial reporting.

Finding Number	2009-LLSD-002
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Significant Deficiency/Material Weakness

All bank accounts should be reconciled in a timely manner (monthly) to help ensure accuracy of receipt and expenditure postings. In addition, these reconciliations should be provided to management for review.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2009-LLSD-002 - (Continued)

The District’s bank accounts were not reconciled to a zero “unidentified” balance for the fiscal year ended June 30, 2009 until February 2010.

Unreconciled bank accounts in a timely manner means that errors or other problems might not be recognized and resolved on a timely basis. This also hinders in recognizing accurate fund balances throughout the year.

We recommend the District implement procedures to help ensure that bank statements are reconciled to the District’s books in a timely manner. We further recommend that the bank reconciliations be presented to the Board of Education and approved on a monthly basis. All reconciling amounts should be easily identifiable.

Client Response: We are working diligently to perform timely reconciliations. We are currently reconciled to a zero “unidentified” balance through July 2009. In the future, these reconciliations will be prepared immediately after month end and submitted to the Board of Education with monthly financial reports for review.

Finding Number	2009-LLSD-003
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Significant Deficiency/Noncompliance Citation

Ohio Administrative Code Section 117-2-03(B) requires GAAP basis filing entities to file their report within 150 days of year end. 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 the process was not provided until February 2010 which is beyond the deadline for filing the financial report with the Auditor of State’s Office. The District’s management is ultimately responsible for the financial report.

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.

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 financial and personnel restraints.

Finding Number	2009-LLSD-004
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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.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2009-LLSD-004 - (Continued)

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	2009-LLSD-005
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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 (current year) exceeding the total estimated resources at June 30, 2009 as follows.

	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
<u>Nonmajor Funds:</u>			
District Managed Student Activity Fund	\$ 152,802	\$ 118,875	\$ 33,927
Public School Preschool	125,575	90,508	35,067
Summer Intervention	14,008	5,058	8,950
Special Education	471,579	199,452	272,127
Title I	244,022	151,847	92,175
Improving Teacher Quality	26,317	4,258	22,059
Employee Benefit's Self-Insurance	2,468,362	2,441,976	26,386

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.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2009-LLSD-005 - (Continued)

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

Finding Number	2009-LLSD-006
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Board of Education resolution and comply with the same provisions of the law as used in making the original appropriations.

Expenditures exceeded appropriations in certain funds at June 30, 2009 due to the District not timely or properly modifying appropriations.

By not timely and properly modifying the District's appropriations, the District is not adequately monitoring appropriations versus expenditures. With expenditures exceeding appropriations, overspending may occur which may result in a negative fund balance.

We recommend that the District comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

Client Response: Fiscal year 2010 appropriation modifications are occurring more frequently and accurately.

Finding Number	2009-LLSD-007
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The District had expenditures (including current year encumbrances) exceeding appropriations (including prior year carryover encumbrances) at June 30, 2009 in the following funds:

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2009-LLSD-007 - (Continued)

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Major Fund:</u>			
General	\$ 17,499,103	\$ 15,879,548	\$ 1,619,555
<u>Nonmajor Funds:</u>			
Auxilliary Services	155,532	143,340	12,192
Public School Preschool	220,593	215,542	5,051
Data Communications	20,925	-	20,925
Ohio Reads	5,528	-	5,528
Poverty Based Assistance	120,100	36,102	83,998
Title I	267,393	251,493	15,900
Drug-Free School Grant	13,070	5,879	7,191
Employee Benefit's Self-Insurance	3,037,930	2,468,362	569,568

With expenditures exceeding appropriations, the District is expending monies that have not been appropriated and approved by the Board of Education. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The District is approving appropriations by the required deadline.

Finding Number	2009-LLSD-008
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Internal Revenue Code (IRC) Chapter 26 Section 3403 states the requirements for tax withholder and employer liability statements.

The District transmitted its quarter ending March 31, 2009 Form 941 report and deposit past the required submission period. This resulted in the District incurring and paying a penalty to the Internal Revenue Service in the amount of \$9,710.01.

By not submitting the proper reports and withholdings in the required time frame this could result in the District incurring additional fines and penalties.

We recommend the District submit the correct reports and the employee and employer withholdings to the required agencies by the required time period.

Client Response: The District currently submits all reports within the required timelines. The District was in financial distress which delayed the payment temporarily.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS	
Finding Number	2009-LLSD-009
CFDA Title and Number	N/A
Federal Award Number/Year	2007, 2008
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Non-compliance Finding

31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearing House within nine months after year end.

The District expended \$1,249,033 and \$1,199,960 respectfully in the fiscal years ended 2007 and 2008, but did not file their reporting packet with the Federal Audit Clearinghouse until May 2009 and October 2009, respectively.

We recommend that upon completion of the annual audit, that the District ensure timely filing of all required reports to the Federal Audit Clearinghouse.

Client Response: The District has been experiencing financial distress and working with limited resources. District management will strive to be more timely in the future.

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2008-LLSD-001	<u>Significant Deficiency/Material Weakness Financial Reporting</u> - 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 year 2008 activity.	No	Repeated as Finding 2009-LLSD-001
2008-LLSD-002	<u>Significant Deficiency</u> - The District did not file its annual GAAP financial statements in a timely manner.	No	Repeated as Finding 2009-LLSD-003
2008-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	Repeated as Finding 2009-LLSD-004
2008-LLSD-004	Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed total estimated resources.	No	Repeated as Finding 2009-LLSD-005
2008-LLSD-005	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.	Yes	N/A
2008-LLSD-006	Ohio Administrative Code Section 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 the fund.	Yes	N/A
2008-LLSD-007	Ohio Revised Code Section 9.833, in part, requires 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.	Yes	N/A



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Liberty Local School District
Trumbull County
4115 Shady Rd.
Youngstown, Ohio 44505

To the Board of Education:

Ohio Revised Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Ohio Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school”.

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Liberty Local School District has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 17, 2007.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education of Liberty Local School District and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.
March 1, 2010



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
MAY 6, 2010