



**Dave Yost • Auditor of State**

**Liberty Local School District  
Trumbull County, Ohio**

**Fiscal Emergency Termination**

**Local Government Services Section**



**Liberty Local School District  
Trumbull County**

**Fiscal Emergency Termination**

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# Dave Yost • Auditor of State

## CERTIFICATION

Pursuant to a request submitted to the Auditor of State by the Liberty Local School District Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the Liberty Local School District to determine whether the Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated. Based on our analysis, the Auditor of State certifies that the Liberty Local School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code has been implemented, that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be non-adverse. Therefore, the existence of the Liberty Local School District Financial Planning and Supervision Commission and its role in the operation of the Liberty Local School District is terminated as of December 1, 2014.

Accordingly, this report is hereby submitted to the Liberty Local School District Board of Education, the Financial Planning and Supervision Commission, John Kasich, Governor, Timothy S. Keen, Director of the Office of Budget and Management, Adrian S. Biviano, Trumbull County Auditor, and Dr. Richard A. Ross, State Superintendent of Public Instruction.

A handwritten signature in cursive script that reads "Dave Yost".

DAVE YOST  
Auditor of State

December 1, 2014

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## Liberty Local School District – Trumbull County

### Report on Termination of the Liberty Local School District Financial Planning and Supervision Commission

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At the request of the Financial Planning and Supervision Commission of the Liberty Local School District (the Commission), Trumbull County, Ohio, as provided by Section 3316.16(B) of the Ohio Revised Code, the Auditor of State has performed an analysis to determine whether this Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated.

#### **The Declaration of Fiscal Emergency**

The Auditor of State declared the Liberty Local School District in fiscal watch on May 26, 2011. This declaration was based upon a determination by the Department of Education that the School District had not provided an acceptable written proposal for eliminating the anticipated deficits and preventing the School District from experiencing further fiscal difficulties. Upon reviewing the School District's five-year forecast filed with the Department of Education on October 28, 2010, which included a deficit for the fiscal years ending June 30, 2011 and 2012, the Auditor of State found the Department of Education's request that the School District be placed in fiscal watch to be reasonable.

Section 3316.04, Revised Code, requires that the board of education of a district declared to be in fiscal watch prepare and submit a financial plan to the State Superintendent of Public Instruction that demonstrates the actions the board will take to eliminate the district's current operating deficit and avoid incurring future operating deficits. A school district that fails to submit an acceptable plan within 120 days of the Auditor of State's declaration of fiscal watch is required to be declared in a state of fiscal emergency in accordance with Section 3316.03(B), Revised Code. The Liberty Local School District Board of Education passed a resolution on June 14, 2011, stating their inability to develop a fiscal watch recovery plan acceptable to the Superintendent of Public Instruction. Accordingly, the Auditor of State declared the School District to be in a state of Fiscal Emergency under Section 3316.03 (B) (2) of the Ohio Revised Code on July 11, 2011. A Financial Planning and Supervision Commission was created whose purpose is to direct the School District's return to financial stability.

#### **Termination of Fiscal Emergency**

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The school district has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse".

The results of the analysis performed by the Auditor of State to determine if each of these four conditions has been satisfied follows.

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**Report on Termination of the Liberty Local School District  
Financial Planning and Supervision Commission**

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**Section 1 - Financial Accounting and Reporting System**

When a school district is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the school district's financial accounting and reporting system. The Auditor of State, in accordance with Section 3316.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Liberty Local School District and issued a Report on Accounting Methods, dated November 8, 2012. The report identified areas where the School District's financial accounting and reporting system was not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Financial Accounting Report. We confirmed whether the actions taken by management were sufficient to correct those issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

**Budgetary Process**

**Auditor of State Comment from Report on Accounting Methods:**

- Appropriations are posted in the system prior to receiving the certificate from the County Auditor indicating that appropriations are within estimated resources. Appropriations should be posted in the system when they become effective which is upon receipt from the County Auditor of the certificate indication that appropriations are within estimated resources.

**Implemented:**

Once the School District receives their certificate from the County Auditor indicating that appropriations do not exceed estimated resources, the Treasurer now posts the current appropriations in the system.

**Auditor of State Comment from Report on Accounting Methods:**

- The Treasurer compares appropriations to estimated resources; however, this comparison is not documented. The Treasurer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Board upon request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.

**Implemented:**

The Treasurer has created a spreadsheet that tracks amended appropriations to beginning cash plus estimated resources. This is available to the Board upon request.

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**Report on Termination of the Liberty Local School District  
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Auditor of State Comment from Report on Accounting Methods:

- Total final appropriations for fiscal year 2012 exceeded estimated resources plus carryover balances in the athletics, management information systems, data communications, title VI-B and title I special revenue funds in violation of Section 5705.39, Revised Code.

Implemented:

Any violations are identified from the spreadsheet created by the Treasurer that tracks amended appropriations to beginning cash plus estimated resources, and any violations are resolved at that time.

Auditor of State Comment from Report on Accounting Methods:

- Expenditures plus encumbrances for fiscal year 2012 exceeded appropriations in the general fund and the auxiliary services, public preschool, title VI-B and title I special revenue funds contrary to Section 5705.41(B), Revised Code.

Implemented:

As of June 30, 2014, there were no funds that had expenditures plus encumbrances in excess of appropriations.

Auditor of State Comment from Report on Accounting Methods:

- During fiscal year 2012, the School District had deficit fund cash balances contrary to Section 5705.10, Revised Code.

Implemented:

As of the fiscal year ending June 30, 2014, the School District had no funds with deficit fund cash balances.

**Revenue Activity**

Auditor of State Comment from Report on Accounting Methods:

- Cafeteria receipts are posted in a monthly lump sum amount one month in arrears. Cafeteria receipts should be posted at least on a weekly basis.

Implemented:

Cafeteria receipts are now posted on a weekly basis.

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Auditor of State Comment from Report on Accounting Methods:

- The majority of the School District’s buildings are making deposits within 24 hours of collection. However, there are times when the Athletic Director is holding deposits for more than one business day. A policy should be adopted by the Board following Ohio Revised Code Section 9.38, for the deposit of public funds.

Implemented:

The Board has adopted a policy that stipulates that persons who receive monies at cash collection points in the School District are required to deposit all monies received with the Treasurer on the next business day after the day of receipt, if the total amount of monies exceeds \$1,000. If the monies received are under \$1,000, the person should deposit these monies with the Treasurer not more than one business day following the day of receipt.

**Purchasing Process**

Auditor of State Comment from Report on Accounting Methods:

- Section 5705.41(D)(3), Revised Code, allows the fiscal officer to certify expenditures in an amount not in excess of an amount established by resolution adopted by a majority of the members of the Board of Education. This type of certification, referred to as a blanket certification (blanket purchase orders), has not been authorized by the Board. The Treasurer continues to issue blanket certificates under the old statutory restriction of 90 days and \$5,000. The Board should adopt a resolution that identifies the maximum dollar amount for blanket certifications/purchase orders.

Implemented:

The Board of Education approved a policy that authorizes the Treasurer to issue blanket purchase orders up to \$5,000.

Auditor of State Comment from Report on Accounting Methods:

- The School District does not issue 412 certificates for qualifying contracts. Section 5705.412, Revised Code, requires the School District to certify, prior to entering into a qualifying contract, that payment of the obligation will not affect the School District’s ability to maintain all personnel and programs for the term of the contract. The certificate is to be attached to the qualifying contract and signed by the Treasurer, Superintendent, and President of the Board. If the School District is in a state of fiscal emergency, the certificate shall be signed by a member of the School District's Financial Planning and Supervision Commission who is designated by the Commission for this purpose. The certificate is to be attached to any qualifying contract.

Implemented:

The Financial Planning and Supervision Commission passed a resolution that took the position that 412 certifications would be signed by the Commission Chairperson. The Superintendent, Treasurer, and President of the Board are aware of the legal requirement and will comply with the requirement.

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**Report on Termination of the Liberty Local School District  
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**Cash Disbursements**

Auditor of State Comment from Report on Accounting Methods:

- The School District should document the procedures for cash disbursements including the staff positions and their functions. The document should also include procedures for when only partial orders are received and when an invoice exceeds the purchase order/fiscal officer certification of funds. The document should be kept on file in the Treasurers' office.

Implemented:

The Board of Education approved a policy documenting the cash disbursement procedures for staff positions and their functions. The policy also addresses discrepancies for partial receipts and purchase order differences.

**Payroll Processing**

Auditor of State Comment from Report on Accounting Methods:

- The procedures used to process payroll should be documented and on file in the Treasurer's office. The procedures should address payroll duties and processes.

Implemented:

The School District now has payroll procedures that includes payroll duties and the payroll process.

Auditor of State Comment from Report on Accounting Methods:

- The School District's negotiated agreement with the Liberty Association of School Employees covered the period September 1, 2005 through August 31, 2008. The School District and the Liberty Association of School Employees continued to extend this contract yearly until a new negotiated agreement is in place. The School District should work with the Liberty Association of School Employees to agree to a new negotiated agreement.

Implemented:

- The School District and the Liberty Association of School Employees agreed to a new negotiated agreement on March 24, 2014, which covers the period September 1, 2013 through August 31, 2016.

**Capital Assets and Supplies Inventory**

Auditor of State Comment from Report on Accounting Methods:

- The Board policy does not state a capitalization threshold for capital assets. The School District should review and update their capitalization threshold. The Board should approve changes in capitalization thresholds by resolution. The School District should set the capitalization threshold at a level that accounts for the majority of capital assets.

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Implemented:

The Board of Education passed a policy regarding property inventory and specifying a capitalization threshold of \$1,000.

Auditor of State Comment from Report on Accounting Methods:

- The capital asset policy should be expanded to address valuing donated assets, assigning salvage values and addressing private property (items belonging to staff and students). The policy is also in accordance with GASB Statement No. 34, depreciation expense should be calculated by allocating the net cost of depreciable assets over their estimated useful lives. The net cost of depreciable assets is defined as historical cost less estimated salvage value.

Implemented:

The Board of Education has passed a policy regarding the valuation of donated assets, assignment of salvage values and addressing private property. Depreciation expense is now calculated by allocating the net cost of depreciable assets over their estimated useful lives.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer’s office does not verify the existence or non-existence of any significant consumable inventory other than fuel and food service supplies. The Treasurer should verify that there are no significant inventories other than fuel and food service to be reported. This should be done by physically checking the areas where consumable inventories would be stored.

Implemented:

The Treasurer now physically checks areas where consumable inventory is stored at the School District to verify if any significant inventories exist. At the fiscal year ending June 30, a listing of inventory other than fuel is created. If there are no significant inventories other than fuel, the School District creates a memo to the State Auditor’s Office stating this.

**Cash Management and Investing**

Auditor of State Comment from Report on Accounting Methods:

- The School District does not have a policy for distribution of interest income. The School District should adopt a policy for the distribution of interest income.

Implemented:

The School District has adopted an investment policy to include the allocation of interest, specific funds to receive interest and the method used to allocate the interest. The School District follows State statute to allocate interest. Interest is allocated to the general fund and food service fund based on month end fund balances. The bond retirement fund receives a federal subsidy to assist in payment of interest costs of the HB 264 Bond. This is reported as interest revenue on the School District’s books.

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Auditor of State Comment from Report on Accounting Methods:

- During fiscal year 2011, the School District did not record interest earned on the money derived from the food service fund as required by Section 135.21, Revised Code. The School District should allocate interest to the food service fund monthly based upon fund balances.

Implemented:

The School District has adopted an investment policy to include the allocation of interest, specific funds to receive interest and the method used to allocate the interest. The School District follows State statute to allocate interest. Interest is allocated to the food service fund based on month end fund balances.

**Financial Reporting**

Auditor of State Comment from Report on Accounting Methods:

- The Board does not receive reports presenting estimated revenues and appropriations. The Treasurer should provide the Board with reports comparing estimated revenues and appropriations to actual amounts on a monthly and cumulative basis.

Implemented:

The Treasurer now includes reports that have estimated and actual revenues and appropriations and actual expenditures in the packet that is provided to the Board at the monthly Board meetings.

Auditor of State Comment from Report on Accounting Methods:

- At the time the annual financial report is filed with the Auditor of State, the Treasurer must publish in the newspaper notice of the completion of the report and that the report is available for inspection. The School District has not published completion of the report in the newspaper for the past several years.

Implemented:

The Treasurer published notice of the completion of the fiscal year ended June 30, 2014 report in the newspaper and that the report was available for inspection in the Treasurer's office.

**Recording Official Proceedings**

Auditor of State Comment from Report on Accounting Methods:

- The President of the Board does not sign minutes after approval of the Board. The Board President should sign the minutes after Board approval.

Implemented:

The minutes are now signed by both the President of the Board of Education and the Treasurer by the time the next meeting is held.

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**Recent Audit Report and Compliance and Management Letters**

In addition to reviewing the actions taken to address the issues identified in the Report on Accounting Methods and before releasing a school district from fiscal emergency, the Auditor of State reviews the current audit report to determine if there are deficiencies in the school district's financial reporting or any significant failures to comply with the requirements of the Ohio Revised Code.

The Auditor of State released an audit report on the School District's financial statements for the fiscal year ended June 30, 2013, on April 17, 2014. The report expressed an unqualified opinion of the financial statements.

As part of the audit report, the School District receives letters on legal compliance and related internal controls and a management letter. The management letter disclosed non-compliance issues with State laws and regulations relating to the audit for fiscal year 2013, which included recommendations for budgeting purposes.

The School District has corrected or is in the process of correcting the issues identified in the management letter; therefore, the Auditor of State has concluded that the issues identified in the management letter do not require that the School District's release from fiscal emergency be delayed.

**Section 2 - Fiscal Emergency Conditions**

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines that a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.
2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first plan was approved.
3. The Superintendent of Public Instruction has reported to the Auditor of State that the school district is not materially complying with the provision of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined a declaration of a state of fiscal emergency is necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.
4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,
5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school

## Liberty Local School District – Trumbull County

### Report on Termination of the Liberty Local School District Financial Planning and Supervision Commission

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district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

In order to be released from fiscal emergency, a school district must have corrected or eliminated the fiscal emergency conditions that existed at the time of the emergency declaration and no new emergency conditions may have occurred.

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.
2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.
3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.
4. The examination of the School District's five-year forecast includes a non-adverse opinion rendered by the Auditor of State.

#### **Section 3 - Financial Recovery Plan**

We obtained and reviewed a copy of the latest financial recovery plan of the School District (dated October 23, 2013). The Treasurer of the School District and the Chairperson of the Financial Planning and Supervision Commission provided us with a summary of the key provisions of the plan and the actions taken to achieve the provisions of the plan, which were confirmed by us. The key provisions of the financial plan are as follows:

1. The School District will continue to develop and maintain a five-year financial forecast that establishes the parameters of expenditures versus revenues for the School District. The forecast will be updated as required to reflect the changes in assumptions and the most likely course of the School District.
2. The Board of Education will contain expenditures within the five-year financial forecast and the Financial Recovery Plan.
3. The School District will review and follow its purchasing procedures and ensure that each transaction is properly authorized, documented and recorded.

Actions taken to achieve the provisions of the plan include the following:

1. Monitored operating expenditures;
2. Monitored personnel levels;

**Liberty Local School District – Trumbull County**

**Report on Termination of the Liberty Local School District  
Financial Planning and Supervision Commission**

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3. The School District prepared monthly reports of receipts, expenditures, and encumbrances, which were monitored by staff from the Fiscal Assistance Section of the Ohio Department of Education; and
4. The School District monitored purchasing.
5. The School District eliminated 22 positions within the general fund in fiscal years 2012 through 2015, for an approximate total savings of \$1,368,000 annually.
6. The School District became fully insured and required employees to contribute to healthcare for an approximate total savings of \$1,284,000 annually.
7. The School District reduced 14 positions from full-time to part-time for an approximate savings of \$490,000 annually.
8. The School District reduced salaries of four positions through attrition and retirement for an approximate savings of \$136,000 annually.
9. The School District went into a shared service agreement for their Treasurer and Assistant Treasurer positions with the Trumbull County Educational Center for an approximate savings of \$74,000 annually.
10. The School District eliminated various supplemental programs for an approximated savings of \$60,000 annually.

**Section 4 - Five-Year Forecast**

The Auditor of State examined the School District’s financial forecast for the fiscal years ending June 30, 2015 through 2019, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School District’s five-year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the five-year period ending June 30, 2019. The Auditor of State, in a report dated December 1, 2014, rendered a “nonadverse” opinion on the financial forecast.

**Liberty Local School District – Trumbull County**

**Report on Termination of the Liberty Local School District  
Financial Planning and Supervision Commission**

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**Section 5 - Conclusion**

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented an effective accounting and reporting system;
2. The School District has corrected or eliminated all the fiscal emergency conditions, no new conditions have occurred, and it appears that, based on the five-year financial forecast, the School District will remain out of fiscal emergency during the forecast period;
3. The School District has met the major objectives of the Financial Recovery Plan; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is “nonadverse”.

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Liberty Local School District and its functions may be terminated.

**Liberty Local School District – Trumbull County**

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Financial Planning and Supervision Commission**

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**DISCLAIMER**

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

**APPENDIX A**

**Liberty Local School District**  
Trumbull County, Ohio

**Financial Forecast**

**For the Fiscal Years Ending June 30, 2015 through June 30, 2019**

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**Fiscal Emergency Termination**

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# Dave Yost • Auditor of State

Board of Education  
Liberty Local School District  
4115 Shady Road  
Youngstown, Ohio 44605

## Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Liberty Local School District for the fiscal years ending June 30, 2015 through 2019. The Liberty Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2012, 2013, 2014 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST  
Auditor of State

September 22, 2014

**Liberty Local School District**  
**Trumbull County**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Fiscal Years Ended June 30, 2012 Through 2014 Actual;**  
**For the Fiscal Years Ending June 30, 2015 Through 2019 Forecasted**  
**General Fund**

	Fiscal Year 2012 Actual	Fiscal Year 2013 Actual	Fiscal Year 2014 Actual
<b>Revenues</b>			
General Property Taxes	\$7,156,000	\$7,127,000	\$7,008,000
Tangible Personal Property Taxes	0	2,000	0
Unrestricted Grants-in-Aid	4,962,000	5,078,000	4,802,000
Restricted Grants-in-Aid	12,000	9,000	253,000
Property Tax Allocation	1,413,000	1,297,000	1,296,000
All Other Revenues	1,423,000	1,272,000	1,169,000
<i>Total Revenues</i>	<u>14,971,000</u>	<u>14,785,000</u>	<u>14,528,000</u>
<b>Other Financing Sources</b>			
Solvency Assistance Advance	1,921,000	0	0
Advances In	0	0	34,000
<i>Total Other Financing Sources</i>	<u>1,921,000</u>	<u>0</u>	<u>34,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>16,892,000</u>	<u>14,785,000</u>	<u>14,562,000</u>
<b>Expenditures</b>			
Personal Services	6,949,000	6,466,000	5,952,000
Employees' Retirement/Insurance Benefits	3,811,000	1,861,000	2,191,000
Purchased Services	2,667,000	2,719,000	2,752,000
Supplies and Materials	253,000	237,000	221,000
Capital Outlay	1,000	56,000	31,000
Debt Service:			
Principal-Loan	155,000	155,000	155,000
Principal-Notes	523,000	523,000	515,000
Principal-Solvency Assistance Advance	0	961,000	961,000
Interest	210,000	190,000	157,000
Other Objects	1,100,000	1,251,000	1,216,000
<i>Total Expenditures</i>	<u>15,669,000</u>	<u>14,419,000</u>	<u>14,151,000</u>
<b>Other Financing Sources (Uses)</b>			
Transfers Out	98,000	0	34,000
Advances Out	0	34,000	0
Other Financing Uses	14,000	0	0
<i>Total Other Financing Uses</i>	<u>112,000</u>	<u>34,000</u>	<u>34,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>15,781,000</u>	<u>14,453,000</u>	<u>14,185,000</u>
<i>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</i>	1,111,000	332,000	377,000
<i>Other Financing Uses</i>			
Cash Balance (Deficit) July 1	(309,000)	802,000	1,134,000
Cash Balance (Deficit) June 30	<u>802,000</u>	<u>1,134,000</u>	<u>1,511,000</u>
<b>Encumbrances and Reserves of Fund Balance:</b>			
Actual/Estimated Encumbrances June 30	15,000	35,000	101,000
Reserves for Bus Purchase	40,000	40,000	40,000
<i>Total Encumbrances and Reserves of Fund Balance</i>	<u>55,000</u>	<u>75,000</u>	<u>141,000</u>
Fund Balance June 30 for Certification of Appropriation	747,000	1,059,000	1,370,000
<b>Revenue from Replacement/Renewal Levies</b>			
Property Tax - Renewal or Replacement	0	0	0
Cumulative Balance of Replacement/Renewal Levies	0	0	0
Unencumbered/Unreserved Fund Balance June 30	<u>\$747,000</u>	<u>\$1,059,000</u>	<u>\$1,370,000</u>

See accompanying summary of significant forecast assumptions and accounting policies  
See Independent Accountant's Report

Fiscal Year 2015 Forecasted	Fiscal Year 2016 Forecasted	Fiscal Year 2017 Forecasted	Fiscal Year 2018 Forecasted	Fiscal Year 2019 Forecasted
\$7,375,000	\$6,199,000	\$4,478,000	\$4,008,000	\$3,911,000
0	0	0	0	0
4,854,000	4,854,000	4,854,000	4,854,000	4,854,000
273,000	273,000	273,000	273,000	273,000
1,301,000	1,283,000	1,266,000	1,249,000	1,231,000
1,087,000	1,042,000	1,042,000	1,042,000	1,042,000
<u>14,890,000</u>	<u>13,651,000</u>	<u>11,913,000</u>	<u>11,426,000</u>	<u>11,311,000</u>
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>14,890,000</u>	<u>13,651,000</u>	<u>11,913,000</u>	<u>11,426,000</u>	<u>11,311,000</u>
5,966,000	6,005,000	6,034,000	6,093,000	6,153,000
2,638,000	2,720,000	2,814,000	2,912,000	3,014,000
2,731,000	2,745,000	2,744,000	2,751,000	2,759,000
177,000	177,000	177,000	177,000	177,000
38,000	38,000	38,000	38,000	38,000
155,000	155,000	155,000	155,000	155,000
523,000	355,000	0	0	0
0	0	0	0	0
152,000	132,000	126,000	126,000	126,000
1,276,000	1,276,000	1,276,000	1,276,000	1,276,000
<u>13,656,000</u>	<u>13,603,000</u>	<u>13,364,000</u>	<u>13,528,000</u>	<u>13,698,000</u>
34,000	34,000	34,000	34,000	34,000
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>
<u>13,690,000</u>	<u>13,637,000</u>	<u>13,398,000</u>	<u>13,562,000</u>	<u>13,732,000</u>
1,200,000	14,000	(1,485,000)	(2,136,000)	(2,421,000)
1,511,000	2,711,000	2,725,000	1,240,000	(896,000)
<u>2,711,000</u>	<u>2,725,000</u>	<u>1,240,000</u>	<u>(896,000)</u>	<u>(3,317,000)</u>
40,000	40,000	40,000	40,000	40,000
40,000	40,000	40,000	40,000	40,000
<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>
2,631,000	2,645,000	1,160,000	(976,000)	(3,397,000)
0	888,000	2,147,000	2,517,000	2,517,000
0	888,000	3,035,000	5,552,000	8,069,000
<u>\$2,631,000</u>	<u>\$3,533,000</u>	<u>\$4,195,000</u>	<u>\$4,576,000</u>	<u>\$4,672,000</u>

## **Liberty Local School District**

*Trumbull County*

Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2015 through June 30, 2019

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### **Note 1 – The School District**

The Liberty Local School District (the School District) is located in Trumbull County and includes all of Liberty Township, Ohio. The School District is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates five instructional buildings. The School District is staffed by 67 non-certified and 92 certificated personnel who provide services to 1,263 students and other community members.

On July 11, 2011, the School District was declared to be in a state of “Fiscal Emergency” under Section 3316.03(B)(2) by the Auditor of State. The declaration was due to the School District’s declining financial condition. In accordance with the law, a five member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction, and the Trumbull County Auditor. The Commission’s primary charge is to develop, adopt, and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must be in accordance with the plan.

### **Note 2 - Nature of the Forecast**

This financial forecast presents, to the best of the Liberty Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of September 22, 2014, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

### **Note 3 – Nature of the Presentation**

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund revenues received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require the general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the poverty based assistance and the school district fiscal stabilization funds and general fund supported debt are included in the general fund.

## Liberty Local School District

Trumbull County

Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2015 through June 30, 2019

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### **Note 4 - Summary of Significant Accounting Policies**

#### **Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

#### **Fund Accounting**

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

#### **Governmental Funds**

**General Fund** - The general fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

**Special Revenue Funds** - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

**Debt Service Fund** - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service funds.

**Capital Projects Funds** - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

## **Liberty Local School District**

*Trumbull County*

Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2015 through June 30, 2019

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**Permanent Funds** - Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

### **Proprietary Funds**

**Enterprise Funds** - Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

**Internal Service Funds** - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

### **Fiduciary Funds**

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

### **Budgetary Process**

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.

**Budget** - A budget of estimated cash receipts and disbursements is submitted to the Trumbull County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

**Estimated Resources** - The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**Appropriations** - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire fiscal year. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available.

## **Liberty Local School District**

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Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2015 through June 30, 2019

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Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

### **Note 5 - General Operating Assumptions**

The Liberty Local School District will continue to operate its instructional program in accordance with its adopted and anticipated school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

### **Note 6 - Significant Assumptions for Revenues and Other Financing Sources**

#### **General and Tangible Personal Property Taxes**

Property taxes are applied to real property, public utility real and personal property and manufactured homes which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Trumbull County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2015 (the collection year) for real and public utility property taxes represents collections of 2014 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "Property Tax Allocation".

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against the next fiscal year scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal years 2015 through 2019.

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The property tax revenues for the general fund are generated from several levies. The current levies being collected for the general fund, the year approved, first year of collection, and the full tax rate are as follows:

<u>Tax Levies</u>	<u>Year Approved/ Renewed</u>	<u>First Calendar Year of Collection</u>	<u>Last Calendar Year of Collection</u>	<u>Full Tax Rate (Per \$1,000 of Assessed Valuation)</u>
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$5.70
Continuing Operating	1976	1977	n/a	21.00
Continuing Operating	1999	2000	n/a	5.50
Emergency (\$1,776,316)	2010	2011	2015	7.75
Emergency (\$740,680)	2011	2012	2016	3.25
Emergency (\$839,831)	2014	2015	2019	3.65
Total Tax Rate				<u>\$46.85</u>

The School District also has levies for bonded debt and permanent improvements totaling \$4.95 per \$1,000 of assessed valuation. The School District's total tax rate is \$51.80 per \$1,000 of assessed valuation. The School District's residents voted to renew the 3.65 mill emergency levy at the May 6, 2014 election. This will keep collections on this levy consistent throughout the forecast period.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$39.03 per \$1,000 of assessed valuation for collection year 2014, and the effective commercial and industrial real property tax rate is \$37.31 per \$1,000 of assessed valuation for collection year 2014.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes.

General Property Tax – General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon information provided by the Trumbull County Auditor. The School District anticipates an increase of \$367,000 in fiscal year 2015 from the prior fiscal year. There is an anticipated increase in new construction valuations, offset by anticipated decreases in property values within Trumbull County. In fiscal years 2016 through 2019, the School District anticipates decreases due to a continued decrease in property valuations and due to the 2009 and 2010 tax anticipation notes being paid off. Trumbull County's next reappraisal will be in fiscal year 2019, and the next triennial update will be in fiscal year 2016.

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The School District has emergency levies dropping off in collection years, 2015 and 2016. While the School District anticipates renewing these levies, voter approval is uncertain and the tax revenues have been excluded from the revenues section and presented under the heading Revenue from Renewal Levy. In fiscal year 2016, the School District anticipates a decrease of \$888,000 for a half year collection of the expiring 7.75 mill emergency levy. In fiscal year 2017, the School District expects a decrease of \$2,147,000 for a full collection of the 7.75 mill emergency levy and a half year collection of the 3.25 mill emergency levy. In fiscal years 2018 and 2019, the School District anticipates a decrease of \$2,517,000 for a full year collection of the 7.75 mill and 3.25 emergency levies.

### **Unrestricted and Restricted Grants-in-Aid**

In fiscal year 2011, Ohio school districts received their funding under the Ohio Evidence-Based Model (OEBM) that was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 21 mills for 2012 and 2013 and 20 mills for 2014 and thereafter.

Beginning in fiscal year 2012, the administration of Governor John Kasich proposed to move away from the Ohio Evidence Based Model to a new funding method. However, since a new funding mechanism was not formulated at that time, the administration decided to fund school districts in fiscal years 2012 and 2013 based on a transitional approach until a new formula could be devised. This transitional approach was referred to as the Bridge formula. The Bridge formula divided the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding was then multiplied by the fiscal year 2012 and 2013 ADM. The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 21 mills of property taxes for fiscal years 2012 and 2013. In addition to this adjustment, each school district's fiscal year 2012 and 2013 funding was further adjusted so that the school district received at least the total funding it received in fiscal year 2011 after subtracting the state fiscal stabilization funds from total funding, as well as to provide financial incentives for high performing districts.

In fiscal year 2014, the State General Assembly adopted a new funding method to replace the Bridge Formula. The new foundation formula includes a base amount of funding per pupil, known as the Opportunity Grant, and also provides additional funding for a number of different services designed to serve the needs of various populations of students. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For fiscal year 2014, the ADM count continues to use the current fiscal year count taken during the first full week of October. This amount is then multiplied by the State Share Index, which factors in the property wealth and the income of residents of the school district. These calculations are a multi-step process and are reflected on the School Finance Payment Report (SFPR). School districts are guaranteed the amount received for fiscal year 2013 (including transportation aid and funding for career technical education) and no school district will receive an increase greater than 6.25 percent for fiscal year 2014. The School District received \$4,792,000 in foundation funding. In fiscal year 2015, unrestricted foundation is forecasted slightly

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higher based on an estimate from the latest foundation settlement in August of 2014 per the Ohio Department of Education. Fiscal years 2016 through 2019 are projected to remain consistent with fiscal year 2015 due to uncertainty of the future availability of this State revenue.

Beginning in fiscal year 2013, the School District is receiving additional unrestricted grants-in-aid revenue due to casino revenue. The first two casinos opened in Ohio in May 2012, with two more casinos to follow. Of the casino revenue collected by the State, 34 percent is distributed to school districts, based on student population. The School District received casino revenue in the amount of \$62,000, for a total unrestricted grants-in-aid amount of \$4,854,000. This amount is forecasted to remain consistent throughout the forecast period.

**Restricted Grants-in-Aid**

In past fiscal years, restricted grants-in-aid consisted of career technologies, bus purchase and subsidy, Medicaid school program, catastrophic aid special education monies and economic disadvantaged funding. Catastrophic aid is a supplemental payment to the School District for special education students in categories two through five whose educational and related expenses exceed \$27,375 and for special education students in category six whose educational and related expenses exceed \$32,850. Medicaid is a supplemental payment to the School District for services provided to students who qualify for the program. The School District received a new type of funding in 2014 called Economic Disadvantaged Funding. This funding is provided to address poverty and its effects on education.

The School District stopped receiving catastrophic aid beginning in fiscal year 2013. Career technology is forecasted at \$2,000 throughout the forecast years. The School District is projected to receive \$258,000 in Economic Disadvantaged Funding for fiscal year 2015. Fiscal years 2016 through 2019 are projected to remain consistent with fiscal year 2015.

Revenue Sources	Forecasted Fiscal Year 2015	Forecasted Fiscal Year 2016	Forecasted Fiscal Year 2017	Forecasted Fiscal Year 2018	Forecasted Fiscal Year 2019
Career Technology	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Medicaid	13,000	13,000	13,000	13,000	13,000
Economic Disadvantage Funding	258,000	258,000	258,000	258,000	258,000
Totals	<u>\$273,000</u>	<u>\$273,000</u>	<u>\$273,000</u>	<u>\$273,000</u>	<u>\$273,000</u>

**Property Tax Allocation**

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Homestead and rollback revenue is forecast to decrease in fiscal years 2015 through 2019 based on the expiring levies during collection years 2014, 2015 and 2016.

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In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District was fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2013. Beginning in fiscal year 2013, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For the forecast period, the School District anticipates receiving \$157,000 in reimbursement for the tangible personal property tax losses based on the information from the Ohio Department of Taxation.

Property tax allocation revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Homestead and Rollback Tangible Personal Property	\$1,144,000	\$1,126,000	\$1,109,000	\$1,092,000	\$1,074,000
Loss Reimbursements	157,000	157,000	157,000	157,000	157,000
<b>Totals</b>	<b>\$1,301,000</b>	<b>\$1,283,000</b>	<b>\$1,266,000</b>	<b>\$1,249,000</b>	<b>\$1,231,000</b>

**All Other Revenues**

All other revenues include tuition, interest, rental income, student class fees, reimbursements and other revenue.

Open enrollment tuition revenue is expected to decrease in fiscal year 2015, and then remain consistent for the forecasted period due to fewer outside students enrolling in the School District in fiscal year 2015.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. Also included in interest is a federal subsidy to subsidize the interest payment for the HB 264 loan. Interest revenue is expected to stay in line with the prior fiscal years despite the School District projecting larger cash balances. This is due to the School District's bank eliminating interest income on sweep accounts; in exchange the bank will reduce its banking fees.

Rental income is expected to remain consistent throughout the forecasted period with the rental of space to the Trumbull County Educational Service Center.

Student class fees are expected to increase slightly over the prior fiscal year at \$8,000 and will remain steady for the duration of the forecasted period.

Other revenue includes the workers' compensation refund for fiscal year 2015, and is not included in fiscal years 2016 through 2019.

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All other revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Open Enrollment Tuition	\$710,000	\$710,000	\$710,000	\$710,000	\$710,000
Interest	128,000	128,000	128,000	128,000	128,000
Rentals	62,000	62,000	62,000	62,000	62,000
Student Class Fees	8,000	8,000	8,000	8,000	8,000
Other	179,000	134,000	134,000	134,000	134,000
<b>Totals</b>	<b>\$1,087,000</b>	<b>\$1,042,000</b>	<b>\$1,042,000</b>	<b>\$1,042,000</b>	<b>\$1,042,000</b>

**Other Financing Sources**

Advances In – During fiscal year 2014, the general fund received advances in the amount of \$34,000 from other funds. For fiscal years 2015 through 2019, it is anticipated that the general fund will not receive any advances, due to all grant monies being received in the current fiscal years.

**Note 7 - Significant Assumptions for Expenditures and Other Financing Uses**

**Personal Services**

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by an administrative agreement.

Staffing levels for the last three fiscal years and the current fiscal year are displayed in the chart below. The amounts represent full time equivalents. Staffing levels are anticipated to remain consistent with fiscal year 2015 for the forecasted period.

	2012	2013	2014	2015
<i>General Fund:</i>				
Certified	95	83	80	80
Classified	46	52	48	48
<b>Total General Fund:</b>	<b>141</b>	<b>135</b>	<b>128</b>	<b>128</b>
<i>Other Funds:</i>				
Certified	10	13	14	12
Classified	22	16	16	19
<b>Total Other Funds:</b>	<b>32</b>	<b>29</b>	<b>30</b>	<b>31</b>
<b>Totals</b>	<b>173</b>	<b>164</b>	<b>158</b>	<b>159</b>

Certified (teaching) staff salaries are based on a negotiated contract which includes step increases and educational incentives for existing staff. The contract covers the period September 1, 2013 through August 31, 2015 and allows for step increases ranging from 2.5 to 5.0 percent. The increase in certified salaries in fiscal year 2015 is due to a net reduction of one certified position that was paid from the general fund, offset by the addition of a special education supervisor salary being paid out of the salaries object code that was formerly paid from the purchased services object code. For fiscal years 2016 through 2019, a one percent increase is forecasted for step increases.

**Liberty Local School District**

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Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2015 through June 30, 2019

Classified salaries are based on a negotiated contract which includes step increases. The contract covers the period September 1, 2013 through August 31, 2015 and allows for annual step increases as well as a shift differential for second shift employees. Classified salaries are forecasted to decrease in fiscal year 2015 due to one classified employee leaving and being replaced at a reduced salary. For fiscal years 2016 through 2019, a one percent increase is forecasted for step increases.

In fiscal years 2016 through 2019, the School District has forecasted no base increase each year and an average cost of step increases of one percent for the certified and classified employees. These agreements are subject to negotiations and approval by the Board of Education. The likelihood of achieving no base increases for fiscal years 2016 through 2019 for certified and classified is unknown and the realization of the forecast is particularly sensitive to any increase in the base salaries. Each additional one percent increase, would increase certified and classified salaries and benefits by \$59,000 and \$27,000, respectively, in fiscal years 2016 through 2019.

Actual increases or decreases will only occur after the Superintendent recommends and the Board of Education approves any staffing increases or decreases.

In fiscal year 2015, certified substitutes salaries are expected to decrease due to four long-term substitutes working less in fiscal year 2015 compared to fiscal year 2014. Classified substitutes are forecasted to remain consistent with the prior fiscal year. A one percent increase is forecasted for fiscal years 2016 through 2019 consistent with regular salaries.

Supplemental salaries are based on a negotiated contract, which includes a one percent increase.

Upon retirement, the School District offers its certified and classified employees severance pay of 25 percent of their unused sick leave paid no later than six months after the last date of employment. Severance pay for the current fiscal year includes an employee who retired at the beginning of fiscal year 2015 as well as one certified employee that is expected to retire prior to the end of fiscal year 2015. Severance costs are anticipated to increase due to more employees expected to receive a severance payment. For fiscal year 2016, severance will increase by \$10,000 over fiscal year 2015 and will remain consistent throughout the remainder of the forecast period.

Other salaries and wages include a vacation opt out, overtime and board compensation. Other salaries and wages are expected to be \$40,000 throughout the forecast period.

Presented below is a comparison of salaries and wages for fiscal years 2015 through 2019.

	Forecasted				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Certified Salaries	\$4,364,000	\$4,378,000	\$4,392,000	\$4,436,000	\$4,480,000
Classified Salaries	1,135,000	1,146,000	1,157,000	1,169,000	1,180,000
Substitute Salaries	189,000	190,000	192,000	194,000	197,000
Supplemental Salaries	190,000	193,000	195,000	196,000	198,000
Severance Pay	48,000	58,000	58,000	58,000	58,000
Other Salaries and Wages	40,000	40,000	40,000	40,000	40,000
<b>Totals</b>	<b>\$5,966,000</b>	<b>\$6,005,000</b>	<b>\$6,034,000</b>	<b>\$6,093,000</b>	<b>\$6,153,000</b>

**Liberty Local School District**

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Summary of Significant Assumptions and Accounting Policies  
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**Employees' Retirement/Insurance Benefits**

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, Medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund healthcare benefits for employees earnings less than a minimum salary amount. STRS payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimated and actual expenditures are prorated over the next calendar year.

During fiscal year 2015, STRS is forecast to increase due to a higher estimate for salaries provided to STRS by the School District.

SERS is forecasted to decrease in fiscal year 2015 due to a lower estimate for salaries provided to SERS by the School District.

For fiscal years 2016 through 2019, a one percent increase is anticipated for STRS and SERS, consistent with salaries.

In years past, employer contribution to SERS had been paid six months in arrears by Ohio school districts. On March 18, 2010, the SERS board decided to give the school districts two options. Option one is for the school district to pay the six month arrearage by June 30, 2010, to become current. Option two is for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. Liberty Local School District has chosen option two and has a total arrearage liability of \$150,000, with annual payments of \$25,000.

Through December 2013, the School District provided hospitalization/prescription drug, dental and vision benefits for its employees and their covered dependents through a self-insured program. Monthly charges per person for participation in the self insurance program were recommended by the third party administrator and approved by the Board of Education. Separate rates were approved for single and family coverage. As of July 31, 2014, the School District had a reserve balance of \$9,000 in its self-insurance fund. The School District intends to use up the balance in the self-insurance fund to payoff any remaining claims as well as future monthly insurance premiums.

Beginning January 1, 2014, the School District's hospitalization/prescription drug, dental and vision costs are based on monthly premiums set by the Ohio School Benefits Cooperative. Health care premiums are set for a twelve month period from April to March. The monthly payments for health care benefits are as follows:

<u>Coverage:</u>	<u>Effective May 1, 2014</u>
Family	\$1,504.24
Single	649.07

**Liberty Local School District**

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Summary of Significant Assumptions and Accounting Policies  
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Employees of the School District who work six hours or more daily contribute 10 percent of the premium for healthcare. Employees who work less than six hours pay a pro-rated share of the premium based on a six hour day. Health care costs for fiscal year 2015 are forecasted to increase as a result of the School District using up a significant portion of the self-insurance fund's reserve balance to pay claims in fiscal year 2014. For fiscal years 2016 through 2019, a five percent increase is forecasted based on current health care industry trends.

Life insurance premiums are based on the coverage amount and the anticipated number of employees participating in the program.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in August. The School District anticipates paying the entire premium in May as in prior fiscal years. The premium for calendar year 2014, due in May 2015, is anticipated to be slightly lower than fiscal year 2014. The workers' compensation premium for fiscal year 2015 is lower than fiscal year 2014 due to a lower workers' compensation rate; however, overall workers' compensation expenditures are expected to increase in fiscal years 2015 through 2019 due to increases in salaries for those forecasted fiscal years.

Medicare is based on a percentage of wages and is estimated to increase in fiscal years 2018 through 2019, based on an increase in salaries for the forecasted period.

Unemployment costs is forecasted to decrease in fiscal years 2015 through 2019, due to the School District implementing several reductions in force in fiscal year 2014.

The School District offers an opt-out incentive to employees who choose not to participate in the School District's insurance plan.

Presented below is a comparison of benefits fiscal years 2015 through 2019.

	Forecasted				
	Fiscal Year				
	2015	2016	2017	2018	2019
Employer's Retirement	\$892,000	\$900,000	\$909,000	\$918,000	\$927,000
Health Care/Life Insurance	1,589,000	1,669,000	1,752,000	1,840,000	1,931,000
Workers' Compensation	55,000	52,000	53,000	53,000	54,000
Medicare	84,000	85,000	86,000	87,000	88,000
Unemployment	7,000	7,000	7,000	7,000	7,000
Health Care Opt Out	11,000	7,000	7,000	7,000	7,000
Total	<u>\$2,638,000</u>	<u>\$2,720,000</u>	<u>\$2,814,000</u>	<u>\$2,912,000</u>	<u>\$3,014,000</u>

**Liberty Local School District**

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Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2015 through June 30, 2019

**Purchased Services**

Presented below is a comparison of purchased services for fiscal years 2015 through 2019.

	Forecasted				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Professional and Technical Services	\$109,000	\$117,000	\$109,000	\$109,000	\$109,000
Property Services	117,000	117,000	117,000	117,000	117,000
Travel and Meeting Expenses	17,000	17,000	17,000	17,000	17,000
Communication Costs	10,000	10,000	10,000	10,000	10,000
Utility Services	370,000	374,000	379,000	384,000	390,000
Tuition Payments	1,853,000	1,853,000	1,853,000	1,853,000	1,853,000
Pupil Transportation	9,000	9,000	9,000	9,000	9,000
Pupil Transportation - Bus Contract	226,000	228,000	230,000	232,000	234,000
Other Purchased Services	20,000	20,000	20,000	20,000	20,000
<b>Total</b>	<b>\$2,731,000</b>	<b>\$2,745,000</b>	<b>\$2,744,000</b>	<b>\$2,751,000</b>	<b>\$2,759,000</b>

Professional and technical services are anticipated to remain relatively consistent throughout the forecast period, with the exception of fiscal year 2016, in which the School District expects an increase due to additional legal services related to contract negotiations. Property services are forecasted to remain consistent throughout the forecast period. Utility services are expected to increase in each of the forecasted fiscal years due to expected increases in natural gas rates. Tuition payments are expected to increase from fiscal year 2014 due to higher costs associated with each student enrolling outside of the School District and this is expected to remain consistent throughout the remaining years of the forecast.

The School District contracts out its special education bussing service needs. During the forecast period, the School District expects to see increases associated with these services due to the probability that the contractor will increase its rates.

**Supplies and Materials**

Presented below is a comparison of supplies and materials for fiscal years 2015 through 2019.

	Forecasted				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
General Supplies, Library Books and Periodicals	\$58,000	\$58,000	\$58,000	\$58,000	\$58,000
Operations, Maintenance and Repair	116,000	116,000	116,000	116,000	116,000
Textbooks	3,000	3,000	3,000	3,000	3,000
<b>Total</b>	<b>\$177,000</b>	<b>\$177,000</b>	<b>\$177,000</b>	<b>\$177,000</b>	<b>\$177,000</b>

Supplies and materials are forecasted to decrease from fiscal year 2014, due to the replenishment of supplies in the prior fiscal year. The School District is expected to spend monies each year on supplies instead of waiting to replenish so the expenditures are forecast to remain consistent throughout the forecast period.

**Liberty Local School District**

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Summary of Significant Assumptions and Accounting Policies  
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**Capital Outlay**

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal years 2015 through 2019, the School District is forecasting approximately \$38,000 in equipment expenditures, which is mainly related to computer and other technological equipment. The School District has a permanent improvement fund that is expected to generate approximately \$159,000 for the forecasted period. The School District uses this fund to make most capital expenditures, which are limited to necessary repair and maintenance costs related to maintaining all buildings in current use within the School District.

**Debt**

The outstanding balances and fiscal year 2015 principal payments for general fund supported debt consists of the following:

<u>Type</u>	<u>Maturity Date</u>	<u>Balance at 6/30/2014</u>	<u>Fiscal year 2015</u>	
			<u>Principal Payment</u>	<u>Interest Payment</u>
House Bill 264 Energy Conservation Loan	December 1, 2025	\$1,862,000	\$155,000	\$126,000
2009 Tax Anticipation Notes	December 1, 2014	168,000	168,000	8,000
2010 Tax Anticipation Notes	December 1, 2015	710,000	355,000	18,000
Total		<u>\$2,740,000</u>	<u>\$678,000</u>	<u>\$152,000</u>

In fiscal year 2011, the School District received \$2,327,000 in proceeds for the House Bill 264 energy conservation loan which were placed into the building capital projects fund. The work on energy conservation was completed in fiscal year 2012. The maturity date is December 1, 2025.

The School District is setting aside the mandatory sinking fund requirement for the House Bill 264 energy conservation loan. The payment is not actually being made to a third party. In fiscal year 2012, the School District posted property tax revenue to be used to pay the energy conservation loan to the general fund and then transferred the amount of the sinking fund payment out of the general fund into the bond retirement fund. In fiscal years 2013 and 2014, the School District booked the property tax revenue directly to the bond retirement fund. The sinking fund payment for fiscal years 2015 through 2019 will be \$155,000. The payments are kept in a separate bank account the School District still has access to.

In fiscal years 2009 and 2010, the School District issued tax anticipation notes in the amounts of \$839,000 and \$1,776,000, respectively. The maturity dates are December 1, 2014 and December 1, 2015, respectively. The fiscal year 2015 principal payments for the tax anticipation notes are \$168,000 and \$355,000, respectively, and will be paid with property tax revenues from emergency levies approved in 2009 and 2010.

**Liberty Local School District**

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Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2015 through June 30, 2019

The debt payments to maturity for the loan and notes are as follows:

Fiscal Year Ending June 30	Energy Conservation Bonds		2009 Tax Anticipation Notes		2009 Tax Anticipation Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$155,000	\$126,000	\$168,000	\$4,000	\$355,000	\$18,000
2016	155,000	126,000	0	0	355,000	6,000
2017	155,000	126,000	0	0	0	0
2018	155,000	126,000	0	0	0	0
2019	155,000	126,000	0	0	0	0
2020-2026	1,087,000	819,000	0	0	0	0
Total	<u>\$1,862,000</u>	<u>\$1,449,000</u>	<u>\$168,000</u>	<u>\$4,000</u>	<u>\$710,000</u>	<u>\$24,000</u>

**Other Objects**

Other objects expenditures consist of dues and fees, insurance and awards. Other objects expenditures are forecasted in fiscal years 2015 through 2019 in the amount of \$1,276,000, a \$60,000 increase over fiscal year 2014. The increase is due to an increase in the fees associated with the Trumbull County Educational Service Center for shared services.

**Transfers Out**

For fiscal years 2015 through 2019, \$34,000 in transfers are anticipated to be made to the athletic fund to cover deficits at fiscal year-end.

**Note 8 - Encumbrances**

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for personal services, purchased services, supplies and materials, capital outlay and other objects for the fiscal years ended 2015 through 2019 are expected to be \$40,000.

**Note 9 - Reservations of Fund Balance**

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the acquisition and construction of capital improvements. Amounts not spent by year-end 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.

## **Liberty Local School District**

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Summary of Significant Assumptions and Accounting Policies  
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### **Capital and Maintenance Set-Aside**

The set aside amount for fiscal years 2015 through 2019 is forecasted to be \$209,000. The School District anticipates \$152,000 in offsets and \$77,000 in qualifying expenditures during the current fiscal year which will reduce the set aside amount below zero. Therefore, no reserve amount is forecasted.

### **Bus Purchase Allowance**

At June 30, 2014, the School District had \$40,000 in unspent bus purchase monies. The School District anticipates no bus purchases during fiscal years 2015 through 2019. As a result, a \$40,000 reserve is forecast for bus purchase allowance for the forecast years.

### **Note 10 - Pending Litigation**

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

### **Note 11 - Employee Benefits Self-Insurance Fund**

Through December 2013, the School District provided hospitalization/prescription drug, dental and vision benefits for its employees and their covered dependents through a self-insured program. Anthem Blue Cross/Blue Shield, a third party administrator, processes the claims. All funds make monthly payments to the self-insurance fund based on the number of employees and the type of coverage provided to each employee. Monthly charges per person for single and family participation in the program are recommended by the third party administrator and approved by the Board of Education. The fund purchases annual stop loss coverage for claims in excess of \$50,000 per person and \$1,000,000 for the School District as a whole.

As of July 31, 2014, the School District had a reserve balance of \$9,000 in its self-insurance fund. The School District intends to use up the balance in the self-insurance fund to pay off any remaining claims as well as future monthly insurance premiums. Beginning January 1, 2014, the School District was no longer self-insured and became fully funded through Ohio School Benefits Cooperative.

### **Note 12 – Other Funds**

The School District has numerous other funds that account for resources that are restricted for specific purposes.

All other funds of the School District are anticipated to have sufficient resources to meet their obligations during the forecasted period.

**Liberty Local School District**

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Summary of Significant Assumptions and Accounting Policies  
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**Note 13 - Levies**

Since 2004, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
March 2004	Permanent Improvement (Renewed)	0.9 mills	5 Years	Passed
March 2004	Emergency Operating	1,792,000	5 Years	Failed
August 2004	Emergency Operating	1,773,000	5 Years	Failed
November 2004	Emergency Operating	1,773,000	5 Years	Failed
May 2005	Emergency Operating	1,776,000	5 Years	Passed
May 2006	Emergency Operating (Renewed)	741,000	5 Years	Passed
March 2008	Emergency Operating (Renewed)	840,000	5 Years	Passed
November 2008	Permanent Improvement (Renewed)	0.9 mills	5 Years	Passed
May 2009	Emergency Operating	2,291,000	10 years	Failed
November 2009	Emergency Operating	2,291,000	10 years	Failed
May 2010	Emergency Operating (Renewed)	1,776,000	5 Years	Passed
November 2010	Emergency Operating (Renewed)	741,000	5 Years	Passed
November 2013	Emergency Operating (Renewed)	840,000	5 Years	Passed
May 2014	Permanent Improvement (Renewed)	0.9 mills	5 Years	Passed



# Dave Yost • 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  
DECEMBER 1, 2014**