



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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**STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Liberty Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Liberty Local School District, Trumbull County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

December 22, 2000

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LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

COMBINED BALANCE SHEET - ALL FUND TYPES
AND ACCOUNT GROUPS
JUNE 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$303,137	\$127,706	\$370,740	\$614,889
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Cash in escrow accounts				50,095
Investments	15,786			
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent . . Accounts	5,592,570 8,961	1,617,521	894,393	159,155
Due from other governments		858		
Materials and supplies inventory	4,731			
Prepaid assets		3,964		
Restricted assets:				
Equity in pooled cash and cash equivalents	219,165			
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other Debits:				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
Total assets and other debits	<u>\$6,144,350</u>	<u>\$1,750,049</u>	<u>\$1,265,133</u>	<u>\$824,139</u>

<u>Proprietary Fund Types</u>		<u>Fiduciary</u>	<u>General</u>	<u>General</u>	<u>Total</u>
<u>Enterprise</u>	<u>Internal</u>	<u>Trust and</u>	<u>Fixed</u>	<u>Long-Term</u>	<u>(Memorandum</u>
	<u>Service</u>	<u>Agency</u>	<u>Assets</u>	<u>Obligations</u>	<u>Only)</u>
\$150	\$53,654	\$176,616			\$1,646,892
		6,025			6,025
					50,095
					15,786
					8,263,639
					8,961
					858
7,921					12,652
					3,964
					219,165
94,657			\$27,872,930		27,967,587
				\$375,241	375,241
				11,160,987	11,160,987
<u>\$102,728</u>	<u>\$53,654</u>	<u>\$182,641</u>	<u>\$27,872,930</u>	<u>\$11,536,228</u>	<u>\$49,731,852</u>

LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

COMBINED BALANCE SHEET - ALL FUND TYPES
AND ACCOUNT GROUPS
JUNE 30, 2000
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities				
Accounts payable	\$111,363	\$15,585		\$600
Accrued wages and benefits	648,832	71,787		
Compensated absences payable	39,004			
Contracts payable				22,900
Pension obligation payable		119,988		
Retainage payable				50,095
Deferred revenue	5,564,744	1,609,746	\$889,892	158,337
Deposits held and due to others				
Due to students				
Claims payable				
General obligation bonds payable				
Total liabilities	<u>6,363,943</u>	<u>1,817,106</u>	<u>889,892</u>	<u>231,932</u>
Equity and Other Credits:				
Investment in general fixed assets				
Accumulated deficit				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	32,539	4,112		127,536
Reserved for supplies inventory	4,731			
Reserved for prepaid assets		3,964		
Reserved for debt service			370,740	
Reserved for tax revenue unavailable				
Reserved for tax revenue unavailable for appropriation	27,826	7,775	4,501	818
Reserved for principal endowment				
Reserved for instructional materials	29,521			
Reserved for budget stabilization	189,644			
Unreserved-undesignated	(503,854)	(82,908)		463,853
Total equity and other credits	<u>(219,593)</u>	<u>(67,057)</u>	<u>375,241</u>	<u>592,207</u>
Total liabilities, equity and other credits	<u>\$6,144,350</u>	<u>\$1,750,049</u>	<u>\$1,265,133</u>	<u>\$824,139</u>

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Proprietary Fund Types</u>		<u>Fiduciary</u>	<u>General</u>	<u>General</u>	<u>Total</u>
<u>Enterprise</u>	<u>Internal</u>	<u>Trust and</u>	<u>Fixed</u>	<u>Long-Term</u>	<u>(Memorandum</u>
	<u>Service</u>	<u>Agency</u>	<u>Assets</u>	<u>Obligations</u>	<u>Only)</u>
\$14,085					\$141,633
22,338					742,957
3,365				\$556,781	599,150
					22,900
23,413				74,447	217,848
					50,095
2,642					8,225,361
		\$112,688			112,688
		60,807			60,807
	\$150,712				150,712
				10,905,000	10,905,000
<u>65,843</u>	<u>150,712</u>	<u>173,495</u>		<u>11,536,228</u>	<u>21,229,151</u>
			\$27,872,930		27,872,930
	(97,058)				(97,058)
36,885					36,885
					164,187
					4,731
					3,964
					370,740
					40,920
		6,025			6,025
					29,521
					189,644
		3,121			(119,788)
<u>36,885</u>	<u>(97,058)</u>	<u>9,146</u>	<u>27,872,930</u>		<u>28,502,701</u>
<u>\$102,728</u>	<u>\$53,654</u>	<u>\$182,641</u>	<u>\$27,872,930</u>	<u>\$11,536,228</u>	<u>\$49,731,852</u>

LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:				
From local sources:				
Taxes	\$4,343,345	\$1,411,249	\$743,386	\$128,727
Tuition	75			
Earnings on investments	80,988			68,218
Other local revenues	200,534	246,267		2,790
Other revenue	522			
Intergovernmental - State	4,051,952	283,085	88,982	66,875
Intergovernmental - Federal		<u>273,014</u>		
Total revenue	<u>8,677,416</u>	<u>2,213,615</u>	<u>832,368</u>	<u>266,610</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,303,470	1,102,340		19,987
Special	1,007,427	370,542		
Vocational	1,289			
Support services:				
Pupil	230,781	65,535		
Instructional staff	155,948	139,086		
Board of Education	13,039	37		
Administration	737,989	259,036		
Fiscal	223,774	124,247		821
Operations and maintenance	968,177	168,160	13,092	11,907
Pupil transportation	590,041	117,356		
Central	28,784	6,355		885
Community services	22,814	13,410		6,908
Extracurricular activities	189,132	164,826		2,999
Facilities services				2,373,677
Debt service:				
Principal retirement			295,000	
Interest and fiscal charges			<u>486,744</u>	842
Total expenditures	<u>7,472,665</u>	<u>2,530,930</u>	<u>794,836</u>	<u>2,418,026</u>
Excess (deficiency) of revenues over (under) expenditures	1,204,751	(317,315)	37,532	(2,151,416)
Other financing sources (uses):				
Operating transfers in		414,081		9,307
Operating transfers out	<u>(427,963)</u>		<u>(9,307)</u>	
Total other financing sources (uses)	<u>(427,963)</u>	<u>414,081</u>	<u>(9,307)</u>	<u>9,307</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	776,788	96,766	28,225	(2,142,109)
Fund balance (Deficit), July 1	(998,978)	(163,823)	347,016	2,734,316
Increase in reserve for inventory	2,597			
Fund balance (Deficit), June 30	<u>(\$219,593)</u>	<u>(\$67,057)</u>	<u>\$375,241</u>	<u>\$592,207</u>

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Expendable Trust</u>	
	\$6,626,707
	75
	149,206
\$1,951	451,542
	522
	4,490,894
	<u>273,014</u>
<u>1,951</u>	<u>11,991,960</u>
276	4,426,073
	1,377,969
	1,289
	296,316
	295,034
	13,076
	997,025
	348,842
	1,161,336
	707,397
	36,024
1,950	45,082
	356,957
	<u>2,373,677</u>
	295,000
	<u>487,586</u>
<u>2,226</u>	<u>13,218,683</u>
(275)	(1,226,723)
	423,388
	<u>(437,270)</u>
	<u>(13,882)</u>
(275)	(1,240,605)
3,396	1,921,927
	2,597
<u>\$3,121</u>	<u>\$683,919</u>

LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	General		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$4,346,011	\$4,346,011	
Tuition	75	75	
Earnings on investments	89,488	89,488	
Other local revenues	78,275	78,275	
Intergovernmental - State	4,062,496	4,062,496	
Intergovernmental - Federal			
Total revenues	<u>8,576,345</u>	<u>8,576,345</u>	
Expenditures:			
Current:			
Instruction:			
Regular	3,462,981	3,462,981	
Special	1,055,491	1,055,491	
Vocational	9,519	9,519	
Support services:			
Pupil	253,848	253,848	
Instructional staff	159,910	159,910	
Board of Education	13,904	13,904	
Administration	770,556	770,556	
Fiscal	229,685	229,685	
Operations and maintenance	1,023,644	1,023,644	
Pupil transportation	631,508	631,508	
Central	30,305	30,305	
Community services	22,006	22,006	
Extracurricular activities	183,797	183,797	
Facilities services			
Debt service:			
Principal retirement	400,000	400,000	
Interest and fiscal charges			
Total expenditures	<u>8,247,154</u>	<u>8,247,154</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>329,191</u>	<u>329,191</u>	
Other financing sources (uses):			
Refund of prior year's expenditures	118,801	118,801	
Operating transfers in	526,701	526,701	
Operating transfers (out)	(954,664)	(954,664)	
Advances in			
Advances (out)			
Proceeds of cash flow borrowing	400,000	400,000	
Total other financing sources (uses)	<u>90,838</u>	<u>90,838</u>	
Excess (deficiency) of revenues and sources over (under) expenditures and other financing (uses)	420,029	420,029	
Fund balances, July 1	2	2	
Prior year encumbrances appropriated			
Fund balances, June 30	<u><u>\$420,031</u></u>	<u><u>\$420,031</u></u>	

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$1,414,927	\$1,414,927		\$781,888	\$781,888	
246,268	246,268				
283,301	283,301		88,982	88,982	
300,970	300,970				
<u>2,245,466</u>	<u>2,245,466</u>		<u>870,870</u>	<u>870,870</u>	
1,199,616	1,188,289	\$11,327			
446,957	365,937	81,020			
65,787	65,864	(77)			
145,210	140,859	4,351			
37	37				
280,635	280,574	61			
124,280	123,280	1,000			
162,850	162,730	120	13,091	13,091	
120,432	120,426	6			
12,711	6,370	6,341			
21,900	13,190	8,710			
175,115	175,115				
			309,970	309,970	
			511,450	511,450	
<u>2,755,530</u>	<u>2,642,671</u>	<u>112,859</u>	<u>834,511</u>	<u>834,511</u>	
(510,064)	(397,205)	112,859	36,359	36,359	
414,081	414,081				
(4,305)	(2,384)	1,921	(9,307)	(9,307)	
(17,637)	(17,637)				
			2,459	2,459	
<u>392,139</u>	<u>394,060</u>	<u>1,921</u>	<u>(6,848)</u>	<u>(6,848)</u>	
(117,925)	(3,145)	114,780	29,511	29,511	
96,787	96,787		341,229	341,229	
27,076	27,076				
<u>\$5,938</u>	<u>\$120,718</u>	<u>\$114,780</u>	<u>\$370,740</u>	<u>\$370,740</u>	

LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

	Capital Projects			Total (Memorandum only)		
	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$89,345	\$89,345		\$6,632,171	\$6,632,171	
Tuition				75	75	
Earnings on investments	68,218	68,218		157,706	157,706	
Other local revenues	2,790	2,790		327,333	327,333	
Intergovernmental - State	66,874	66,874		4,501,653	4,501,653	
Intergovernmental - Federal				300,970	300,970	
Total revenues	<u>227,227</u>	<u>227,227</u>		<u>11,919,908</u>	<u>11,919,908</u>	
Expenditures:						
Current:						
Instruction:						
Regular	35,618	35,618		4,698,215	4,686,888	\$11,327
Special				1,502,448	1,421,428	81,020
Vocational				9,519	9,519	
Support services:						
Pupil				319,635	319,712	(77)
Instructional staff				305,120	300,769	4,351
Board of Education				13,941	13,941	
Administration				1,051,191	1,051,130	61
Fiscal	821	821		354,786	353,786	1,000
Operations and maintenance	23,721	23,721		1,223,306	1,223,186	120
Pupil transportation				751,940	751,934	6
Central	5,604	885	\$4,719	48,620	37,560	11,060
Community services	7,324	7,324		51,230	42,520	8,710
Extracurricular activities	2,999	2,999		361,911	361,911	
Facilities services	3,245,404	3,245,404		3,245,404	3,245,404	
Debt service:						
Principal retirement				709,970	709,970	
Interest and fiscal charges				511,450	511,450	
Total expenditures	<u>3,321,491</u>	<u>3,316,772</u>	<u>4,719</u>	<u>15,158,686</u>	<u>15,041,108</u>	<u>117,578</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,094,264)</u>	<u>(3,089,545)</u>	<u>4,719</u>	<u>(3,238,778)</u>	<u>(3,121,200)</u>	<u>117,578</u>
Other financing sources (uses):						
Refund of prior year's expenditures				118,801	118,801	
Operating transfers in	9,307	9,307		950,089	950,089	
Operating transfers (out)				(968,276)	(966,355)	1,921
Advances in	17,637	17,637		17,637	17,637	
Advances (out)				(17,637)	(17,637)	
Proceeds of cash flow borrowing				402,459	402,459	
Total other financing sources (uses)	<u>26,944</u>	<u>26,944</u>		<u>503,073</u>	<u>504,994</u>	<u>1,921</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(3,067,320)</u>	<u>(3,062,601)</u>	<u>4,719</u>	<u>(2,735,705)</u>	<u>(2,616,206)</u>	<u>119,499</u>
Fund balances, July 1	645,012	645,012		1,083,030	1,083,030	
Prior year encumbrances appropriated	<u>2,946,387</u>	<u>2,946,387</u>		<u>2,973,463</u>	<u>2,973,463</u>	
Fund balances, June 30	<u>\$524,079</u>	<u>\$528,798</u>	<u>\$4,719</u>	<u>\$1,320,788</u>	<u>\$1,440,287</u>	<u>\$119,499</u>

The notes to the general purpose financial statements are an integral part of this statement.

LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
JUNE 30,2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating revenues:				
Sales/charges for services	\$248,276	\$817,222		\$1,065,498
Investment earnings			\$672	672
Total operating revenues	248,276	817,222	672	1,066,170
Operating expenses:				
Personal services	196,207			196,207
Contract services	28,187	83,791		111,978
Materials and supplies	220,894		524	221,418
Depreciation	1,134			1,134
Other	1,411			1,411
Claims expense		638,023		638,023
Total operating expenses	447,833	721,814	524	1,170,171
Operating income (loss)	(199,557)	95,408	148	(104,001)
Nonoperating revenues:				
Operating grants	108,890			108,890
Federal commodities	34,630			34,630
Interest revenue		1,756		1,756
Total nonoperating revenues	143,520	1,756		145,276
Net income (loss) before operating transfers	(56,037)	97,164	148	41,275
Operating transfers in	13,882			13,882
Net income (loss)	(42,155)	97,164	148	55,157
Retained earnings(accumulated deficit)/ fund balance July 1	79,040	(194,222)	5,877	(109,305)
Retained earnings(accumulated deficit)/ fund balance June 30	\$36,885	(\$97,058)	\$6,025	(\$54,148)

The notes to the general purpose financial statements are an integral part of this statement.

LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
JUNE 30,2000

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Cash flows from operating activities:				
Cash received from sales/service charges	\$248,276	\$817,507		\$1,065,783
Cash payments for personal services	(190,746)			(190,746)
Cash payments for contract services	(14,102)	(83,791)		(97,893)
Cash payments supplies and materials	(185,748)		(\$524)	(186,272)
Cash payments for claims expense		(702,479)		(702,479)
Cash payments for other expenses	(1,411)			(1,411)
Net cash provided by (used in) operating activities	(143,731)	31,237	(524)	(113,018)
Cash flows from noncapital financing activities:				
Cash received from operating grants	124,359			124,359
Cash received from interfund loans	13,882			13,882
Net cash provided by noncapital	138,241			138,241
Cash flows from investing activities:				
Interest received		1,756	672	2,428
Net cash provided by investing activities		1,756	672	2,428
Net increase (decrease) in cash and cash equivalents	(5,490)	32,993	148	27,651
Cash and cash equivalents at beginning of year	5,640	20,661	5,877	32,178
Cash and cash equivalents at end of year	\$150	\$53,654	\$6,025	\$59,829
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)-	(\$199,557)	\$95,408	\$148	(\$104,001)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,134			1,134
Federal donated commodities	34,630			34,630
Interest reported as operating income			(672)	(672)
Changes in assets and liabilities:				
Decrease in supplies inventory	1,780			1,780
Decrease in accounts receivable		285		285
Increase in accounts payable	14,085			14,085
Decrease in accrued wages & benefits	(507)			(507)
Decrease in compensated absences payable	(1,432)			(1,432)
Decrease in due to other governments	(16,013)			(16,013)
Decrease in claims payable		(64,456)		(64,456)
Increase in pension obligation payable	23,413			23,413
Decrease in deferred revenue	(1,264)			(1,264)
Net cash provided by (used in) operating activities	(\$143,731)	\$31,237	(\$524)	(\$113,018)

The notes to the general-purpose financial statements are an integral part of this statement.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL 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 304th largest by enrollment among the 660 public and community school districts in the State. It currently operates one elementary school and one comprehensive middle/high school. The District is staffed by 65 non-certified and 111 certificated personnel to provide services to approximately 1,877 students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly Governed Organization

North East Ohio Management Information Network (NEOMIN)

NEOMIN is a jointly governed organization among twenty-eight school districts and two educational service centers. The 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 principal and a treasurer (non-voting members who must be employed by a participating school district, or fiscal agent of NEOMIN). The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Financial information for NEOMIN is available from the Trumbull County Educational Service Center (fiscal agent) at 347 North Park Avenue, Warren, Ohio 44481.

The District also participates in a Group Rating Plan (GRP) for workers' compensation insurance, discussed in Note 11.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund

The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statutes.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

2. Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

Enterprise Funds

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

Internal Service Funds

The 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 district, or to other governmental units, on a cost-reimbursement basis.

3. Fiduciary Funds

Trust and Agency Funds

These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust, nonexpendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonexpendable Trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have a measurement focus. Agency funds are reported on a cash basis, with note disclosure (See Note 3) regarding items which, in other fund types, would be subject to accrual.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds and nonexpendable trust funds.

General Long-Term Obligations Account Group

This group of accounts is established to account for all long-term obligations of the District except those accounted for in the proprietary funds and nonexpendable trust funds.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as advances on future tax settlements are recognized as revenue at year-end.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with Ohio Revised Code § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred, with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost such as depreciation and amortization, are not recognized in governmental funds.

The proprietary and nonexpendable Trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

D. 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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2000 is as follows:

1. 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Trumbull County Budget Commission for tax rate determination.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Prior to 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 June 30, 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. 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 statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board; however, none of the amendments were significant.
9. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting.

E. Cash and Cash Equivalents

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" (both unrestricted and restricted) on the combined balance sheet.

During fiscal year 2000, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, and common stock.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

Calculation of the Net Decrease in the Fair Value of Investments - Aggregate Method

	General Fund
Fair value at June 30, 2000	\$ 15,786
Add: Proceeds of investments sold and matured fiscal year 2000	0
Less: Purchase of investments in fiscal year 2000	0
Less: Fair value at June 30, 1999	<u>(24,286)</u>
Decrease in fair value of investments	<u>\$ (8,500)</u>

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$80,988, which included \$67,960 assigned from other District funds. Interest revenue credited to the Endowment Fund during fiscal year 2000 amounted to \$672, which included \$375 assigned from other District funds.

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

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Materials and Supplies Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaid Items

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed asset account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

Asset	Life (years)
Furniture/equipment	5 - 20

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues

In governmental funds, intergovernmental revenues such as entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

Grants for proprietary fund operations (excluding commodities) are recognized as non-operating revenues in the accounting period in which they are measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

- General Fund
 - State Foundation Program
 - State Property Tax Relief
- Special Revenue Funds
 - Disadvantaged Pupil Impact Aid
 - State Property Tax Relief
- Debt Service Fund
 - State Property Tax Relief
- Capital Projects Funds
 - State Property Tax Relief

Reimbursable Grants

- General Fund
 - Driver Education Reimbursement
- Enterprise Funds
 - National School Lunch Program
 - Government Donated Commodities

Non-Reimbursable Grants

- Special Revenue Funds
 - Ohio Reads
 - Teacher Development
 - Education Management Information System
 - Partnership 2000
 - SchoolNet Professional Development
 - Title VI
 - Title I
 - Title VI-B
- Capital Projects Funds
 - SchoolNet
 - Technology Equity

Grants and entitlements amounted to approximately 37% of the District's operating revenue during the 2000 fiscal year.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

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. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten (10) years of service, regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

K. Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, debt service, tax advance unavailable for appropriation, prepayments, budget stabilization, and instructional materials. In addition, although the nonexpendable trust fund uses the total economic resources measurement focus, fund equity is reserved for the amount of the principal endowment. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

M. Statutory Reserves

The District is required by State law to set-aside certain (cash-basis) general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	Instructional Materials	Capital Maintenance	Budget Stabilization
Set-aside cash balance as of July 1, 1999			\$ 118,042
Current year set-aside requirement	\$ 214,805	\$ 214,805	71,602
Qualifying disbursements	<u>(185,284)</u>	<u>(251,210)</u>	<u> </u>
Total, June 30, 2000	<u>29,521</u>	<u>(36,405)</u>	<u>189,644</u>
Cash balance carried forward to FY 2000	<u>\$ 29,521</u>	<u>\$ </u>	<u>\$189,644</u>

Although the District had offsets and qualifying disbursements during the year that reduced the capital maintenance set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirements of future years. Negative amounts are not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	\$189,644
Amount restricted for instructional materials	<u>29,521</u>
Total restricted assets	<u>\$219,165</u>

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 5.

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization and other reserves. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. Fund balance reserves have also been established. See Note 2. M. for statutory reserves.

P. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its proprietary and nonexpendable trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Q. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

R. Estimates

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

S. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. **ACCOUNTABILITY AND COMPLIANCE**

A. Deficit Fund Balances/Retained Earnings

Fund balance/retained earnings at June 30, 2000 included the following individual fund deficits:

	Deficit Balance
General Fund	\$(219,593)
Special Revenue Funds	
Emergency Levy	(134,657)
Title VI-B	(11,336)
Internal Service Fund	
Employee Benefits Self-Insurance	(97,058)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end. These deficits, caused by the application of generally accepted accounting principles, will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The general fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE

B. Change in Basis of Accounting

In prior years, the District has reported agency funds using the modified accrual basis of accounting. For fiscal year 2000, agency funds are reported using the budget (cash) basis of accounting. No restatement is required because agency funds do not report results of operations. There were no material receivables in the agency funds at June 30, 2000.

4. EQUITY IN POOLED CASH AND INVESTMENTS

State statutes require the classification of monies held by the District into three categories:

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be evidenced either 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 those monies not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

Interim monies may be invested or deposited 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 or interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days 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 investments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand: At year end, the District had \$1,076 in undeposited cash on hand which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents," but is not included in the total amount of deposits reported below.

Cash with Escrow Agent: At year end, \$50,095 was on deposit with the District's escrow agent for contract retainage and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

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

Deposits: At year-end the carrying amount of the District's deposits was \$(360,245) and the bank balance was \$240,952. The entire bank balance was covered by federal deposit insurance.

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

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	Category of Risk 3	Fair Value
Repurchase Agreement	\$565,725	\$ 565,725
Common Stock *	15,786	15,786
Not Subject to Categorization:		
Investment in State		
Treasurer's Investment Pool	_____	1,715,621
Total Investments	<u>\$581,511</u>	<u>\$2,297,132</u>

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

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

A reconciliation between the classifications of cash and cash equivalents on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in Pooled Cash and Cash Equivalents	Investments
Per GASB Statement No. 9	\$ 1,872,082	\$ 15,786
Investments of the Cash Management Pool:		
Repurchase Agreement	(565,725)	565,725
Investment in STAR Ohio	(1,715,621)	1,715,621
Cash on Hand	(1,076)	
Cash with Escrow Agent	50,095	_____
GASB Statement No. 3	<u>\$ (360,245)</u>	<u>\$2,297,132</u>

5. INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers during fiscal year 2000:

	Transfers In	Transfers (Out)
General Fund		\$(427,963)
Special Revenue Funds		
Emergency Levy Fund	\$403,076	
Athletic Fund	11,005	

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. INTERFUND TRANSACTIONS (Continued)

Debt Service Fund		(9,307)
Capital Projects Fund		
Permanent Improvement	9,307	
Enterprise Funds		
Food Service	<u>13,882</u>	<u> </u>
Total	<u>\$437,270</u>	<u>\$(437,270)</u>

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed 50% of market value, and railroads, which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which the fiscal year 2000 taxes are collected are as follows:

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$176,958,740	87.03	\$194,055,080	88.46
Public Utility Personal	12,852,460	6.32	11,363,510	5.18
Tangible Personal Property	<u>13,528,377</u>	<u>6.65</u>	<u>13,953,932</u>	<u>6.36</u>
	<u>\$203,339,577</u>	<u>100.00</u>	<u>\$219,372,522</u>	<u>100.00</u>

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. PROPERTY TAXES (Continued)

Tax rate per \$1,000 of assessed valuation:

Operations	\$34.60	\$34.60
Permanent Improvements	.90	.90
Debt Service	3.96	3.96
Special Purpose	7.19	7.19

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The Trumbull County Treasurer collects property taxes on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with Ohio Revised Code § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end. Available tax advances at June 30, 2000 totaled \$27,826 in the general fund; \$4,501 in the debt service fund; \$818 in the Permanent Improvements fund; and \$7,775 in the emergency levy special revenue fund.

7. RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements (intended to finance the current fiscal year). 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 fiscal year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes - Current & Delinquent	\$5,592,570
Special Revenue Funds	
Taxes - Current & Delinquent	1,617,521
Debt Service Fund	
Taxes - Current & Delinquent	894,393
Capital Projects Funds	
Taxes - Current & Delinquent	159,155

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

8. FIXED ASSETS

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Land/improvements	\$ 1,044,379			\$ 1,044,379
Buildings/improvements	8,787,007	\$11,503,656		20,290,663
Furniture/equipment	5,699,431	125,518		5,824,949
Vehicles	679,283	33,656		712,939
Construction-in-progress	<u>7,652,244</u>	<u>3,851,412</u>	\$(11,503,656)	<u>0</u>
Total	<u>\$23,862,344</u>	<u>\$15,514,242</u>	<u>\$(11,503,656)</u>	<u>\$27,872,930</u>

A summary of the Proprietary fixed assets at June 30, 2000 follows:

Furniture and equipment	\$ 213,726
Less: accumulated depreciation	<u>(119,069)</u>
Net fixed assets	<u>\$ 94,657</u>

9. LONG-TERM OBLIGATIONS

The current general obligation bonds outstanding, which were issued in fiscal 1998 to provide funds for the construction of a new high school, are general obligations of the District, for which the full faith and credit of the District are pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Debt Obligations Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund. The source of payment is derived from a current 3.96 mill bonded debt tax levy.

A. Outstanding Bonds

The following is a description of the District's bonds outstanding as of June 30, 2000:

Purpose	Interest Rate	Issue Date	Maturity Date	Original Amount	Balance 07/01/99	Retired in Fiscal 2000	Balance 06/30/00
Building Construction	5.23%	11/20/97	12/01/20	\$11,200,000	\$11,200,000	\$(295,000)	\$10,905,000

B. Debt Service Requirements

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

Year Ending June 30	Principal on General Obligation Bonds	Interest on General Obligation Bonds	Total
2001	\$ 320,000	\$ 474,135	\$ 794,135
2002	330,000	460,482	790,482
2003	360,000	445,730	805,730
2004	395,000	429,300	824,300
2005	425,000	411,047	836,047
2006 - 2010	2,014,400	2,360,921	4,375,321
2011 - 2015	2,025,600	2,670,450	4,696,050
2016 - 2020	4,135,000	810,466	4,945,466
2021	<u>900,000</u>	<u>23,625</u>	<u>923,625</u>
Total	<u>\$10,905,000</u>	<u>\$8,086,156</u>	<u>\$18,991,156</u>

C. Changes in Liabilities

During the year ended June 30, 2000, the following changes occurred in the liabilities reported in the General Long-Term Obligations Account Group. Compensated absences are presented net of actual increases and decreases because of the practicality of determining these amounts. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	Balance July 1, 1999	Increase	Decrease	Balance June 30, 2000
Compensated absences	\$ 34,187	\$522,594		\$ 556,781
Retirement incentive	30,000		\$ (30,000)	0
Pension obligation payable	84,403	74,447	(84,403)	74,447
General obligation bonds payable	<u>11,200,000</u>	<u> </u>	<u>(295,000)</u>	<u>10,905,000</u>
Total	<u>\$11,348,590</u>	<u>\$597,041</u>	<u>\$(409,403)</u>	<u>\$11,536,228</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 effects of these debt limitations at June 30, 2000 are a voted debt margin of \$9,213,768 (including available funds of \$375,241) and an unvoted debt margin of \$219,373.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

10. NOTES PAYABLE

During the fiscal year, \$38,834 of outstanding General fund notes payable were retired. These notes related to a project in the original principal amount of \$115,500 dated April 1999, with an interest rate of 4.3% for the purpose of renovating, improving, remodeling, constructing, adding to, furnishing and equipping school facilities and improving their sites. During the fiscal year, the District issued and retired \$400,000 in short-term notes through the State's Cash Flow Borrowing Program.

11. 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 \$31,420,401.

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 reductions in amounts of insurance coverage from fiscal year 1999.

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 in this program. A third-party administrator, Professional Benefits Administrators, Inc. located in Akron, Ohio, reviews and pays all claims. The District pays into the self-insurance Internal Service fund a premium that is paid by the fund that pays the salary for the employee and is based on historical cost information.

The claims liability of \$150,712 reported in the fund at June 30, 2000 is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims cost, including estimated of cost relating to incurred but not reported claims, be reported. Changes in the fund's claims liability for fiscal year 2000 are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2000	\$215,168	\$638,023	\$702,479	\$150,712

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

11. RISK MANAGEMENT (Continued)

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.

C. Worker's Compensation

OSBA Worker's Compensation Group Rating

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

12. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2000.

	Food Service	Uniform School Supplies	Total
Operating Revenue	\$ 248,276		\$ 248,276
Depreciation	1,134		1,134
Operating Loss	(199,557)		(199,557)
Non-operating Revenue:			
Operating Grants	108,890		108,890
Donated Federal Commodities	34,630		34,630
Operating Transfers In	13,882		13,882
Net Loss	(42,155)		(42,155)
Net Working Capital	(54,557)	150	(54,407)
Total Assets	102,578	150	102,728
Long-Term Liabilities			
Payable From Fund Revenues	3,365		3,365
Total Fund Equity	36,735	150	36,885

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

13. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$206,006, \$286,564, and \$189,372, respectively; 50 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$103,004, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$609,080, \$725,256, and \$710,688, respectively; 85 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$91,832, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

14. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$348,046 during fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.783 billion at June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll, an increase from 2.15 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS had approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$146,926 during the 2000 fiscal year.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

15. BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis);
- (d) Intrafund transfers have been presented as other financing sources (uses) on a budget basis. Intrafund transfers have been eliminated for GAAP basis reporting purposes.
- (e) The District repays short-term note debt from the Debt Service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt Service fund resources used to pay both principal and interest have been reclassified accordingly.

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

**Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses**

	General	Special Revenue	Debt Service	Capital Projects
Budget basis	\$ 420,029	\$ (3,145)	\$ 29,511	\$(3,062,601)
Net adjustment for revenue accruals	101,071	(31,851)	(40,961)	39,383
Net adjustment for expenditure accruals	672,218	104,753	39,675	762,560
Net adjustment for other financing sources (uses)	(518,801)	20,021	0	(17,637)
Encumbrances (budget basis)	<u>102,271</u>	<u>6,988</u>	<u>0</u>	<u>136,186</u>
GAAP basis	<u>\$776,788</u>	<u>\$ 96,766</u>	<u>\$ 28,225</u>	<u>\$(2,142,109)</u>

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

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

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received total school foundation support of \$3,553,128 for its General fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	-	10.550		\$33,366		\$34,630
National School Lunch Program	03-PU-99	10.555	\$5,482		\$5,482	
	03-PU-00		18,518		18,518	
	04-PU-99		20,651		20,651	
	04-PU-00		72,354		72,354	
Total U.S. Department of Agriculture - Nutrition Cluster			117,005	33,366	117,005	34,630
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-99	84.010	20,486		45,141	
	C1-S1-00		165,637		141,881	
Total Grants to Local Educaiton Agencies			186,123		187,022	
Special Education Grants to State	6B-SF-99	84.027	7,472		14,348	
	6B-SF-00		66,719		65,943	
Total Special Education Grants to State			74,191		80,291	
Family and School Partnership Initiative	G2-S8-00	84.276	3,000		992	
Title VI Innovative Education Program	C2-S1-98C	84.298			614	
	C2-S1-99C		1,240		7,298	
	C2-S1-00		2,893		364	
Total Innovative Education Program			4,133		8,276	
Class Size Reduction Program	CR-S1-00	84.340	36,522		32,412	
Total U.S. Department of Education			300,969		308,993	
Totals			\$417,974	\$33,366	\$425,998	\$34,630

The accompanying notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this schedule.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2000**

A. SIGNIFICANT ACCOUNTING POLICIES

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

B. NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

To the Board of Education:

We have audited the financial statements of Liberty Local School District as of and for the year ended June 30, 2000, and have issued our report thereon dated December 22, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Liberty Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Liberty Local School District in a separate letter dated December 22, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Liberty Local School District in a separate letter dated December 22, 2000.

Liberty Local School District
Trumbull County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

December 22, 2000



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

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

To the Board of Education:

Compliance

We have audited the compliance of Liberty Local School District, Trumbull County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000. However, we noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of Liberty Local School District in a separate letter dated December 22, 2000.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

December 22, 2000

LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I, CFDA 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2000

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-41178-001	Ohio Rev. Code Section 5705.29(H), reserved set aside requirement for budget stabilization account.	yes	Corrected during current audit.



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OFFICE OF THE AUDITOR

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LIBERTY LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 13, 2001**